Medicaid Program Evaluation

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THE IMPACT OF ELIGIBILITY CHANGES UNDER THE OMNIBUS BUDGET RECONCILIATION ACT OF 1981 ON THE CHARACTERISTICS OF THE MEDICAID POPULATION

Stephen H. Long
Russell F. Settle

Metropolitan Studies Program
The Maxwell School
Syracuse University

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Federal Project Officer: Gerald S. Adler

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PREFACE

The Medicaid program, which finances health care for over 20 million needy Americans, has undergone major changes in the 1980s. Besides federally mandated restrictions on AFDC eligibility for some working poor -- which also meant loss of Medicaid benefits -- and limitations on federal financial participation for the years 1982-84, the Omnibus Budget Reconciliation Act of 1981 (OBRA) and subsequent legislation have given the states more flexibility to change basic program parameters, including which groups of people are served, what services are provided, how doctors, hospitals, and nursing homes are paid, and how care can be organized in innovative ways.

The Medicaid Program Evaluation (MPE) addresses the implementation and impact of selected changes in the Medicaid program to provide knowledge for policy assessment and future legislative change. It is focused on selected issues and policy questions raised by recent legislation:

- o Federal Financial Participation
- o Inpatient Hospital Reimbursement
- o Eligibility
- o Case Management
- o Home and Community-Based Waiver Program
- o Cost-Sharing
- o Financial DRG Effects on Medicaid and
- o Synthesis.

Together these studies are intended to describe how recent changes have been implemented, and analyze what their effects have been for program services and costs.

Under OBRA 1981, several states obtained freedom-of-choice waivers in order to implement Medicaid primary care case management initiatives. The adoption, implementation, and impact of these case management initiatives are the subject of six MPE Task 4 Working Papers. Working Paper 4.1 is a survey of all state activity -- in case management and other areas -- in response to OBRA's relaxation of the Medicaid freedom-of-choice requirement. Working Papers 4.2 and 4.3 are in-depth case studies of early primary care case management programs adopted by Michigan and Utah, respectively, and 4.4 contains briefer descriptions of

case management initiatives in four other states, Kansas, Colorado, Nevada and Wisconsin. Finally, this paper provides a synthesis of findings from all the Task 4 case studies. Working Paper 4.6 contains the results of an econometric analysis of Utah Medicaid claims data to assess the impact of case management on utilization and expenditures.

Gerald S. Adler
Project Officer
HCFA Office of Research

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The authors are especially indebted to Jay Crozier for computer programming of the basic CPS tables and design of the CPS linkage algorithm, and to Pamela Walker, who played a critical role in advancing our understanding of the extremely complex eligibility rules for AFDC and Medicaid. Ms. Walker is the author of the technical appendix on eligibility (Appendix C). We also thank Mark Miller and Pat Davitt, who assisted in computer programming to convert the hierarchical CPS data files to "flat" person-level files, and in performing the AFDC payments standards calculations and preparing the text figures, respectively. Martha Grandinetti contributed typing skill and patience over the extended period of manuscript preparation.

Special thanks go to Will Weder of the Office of Family Assistance, who was most kind in providing data, publications, and in helping us get our AFDC eligibility facts right. Ed Neuschler helped us develop hypotheses about the effects of OBRA. Ian Hill made helpful comments on Appendix C. The Current Population Survey data utilized in this report were made available by the Inter-University Consortium for Political and Social Research. The data were originally collected by the Bureau of the Census. Neither the original source or collectors of the data nor the Consortium bear any responsibility for the analyses or interpretations presented here.

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EXECUTIVE SUMMARY

The Omnibus Budget Reconciliation Act of 1981 (OBRA) scaled down significantly the nation's commitment to assisting poor and near-poor families. Among the major changes stemming from OBRA were those making it more difficult for families to qualify for cash assistance from the Aid-to-Families-with-Dependent-Children (AFDC) program. Since AFDC eligibility rules represent implicit eligibility rules for the Medicaid program (i.e., qualifying for AFDC cash assistance automatically entitles a family to Medicaid) the OBRA changes also made it more difficult for families to qualify for Medicaid.

The purpose of this study is to evaluate the impact of these OBRA-related changes on the characteristics of the Medicaid population. The general characteristics considered include patterns of income, employment, and group health insurance coverage in the Medicaid population. Separate analyses establish the impact of OBRA on two groups: (1) the entire Medicaid population, and (2) those AFDC/Medicaid subpopulations at which the OBRA eligibility changes were directed.

The data for this study are taken from the March Current Population Surveys (CPS) for 1979 through 1982. The CPS is based on a stratified probability sample of the civilian noninstitutionalized population of the United States. Aside from the decennial census, it represents the most comprehensive and reliable source of general demographic and economic information on the U.S. population. Depending upon the year, the CPS yields about 14,000 - 15,000 observations on persons covered by Medicaid.

The first part of this study employs all these data in assessing the impact of OBRA on the characteristics of the Medicaid population. The research design for this part of the analysis is pre-post with no controls for confounding influences. That is, it represents a relatively crude, broad-brush descriptive approach to assessing the effects of OBRA on the characteristics of the Medicaid population. The main findings of this before-after assessment include the following:

- On balance, it appears that OBRA had little, if any, effect on the demographic characteristics of the noninstitutionalized Medicaid population. The demographic characteristics considered include age, sex, marital status, place of residence (urban or rural), and prevalence of female-headed households.

- All of the economic indicators considered (including family income, family earnings, the employment rate for heads of Medicaid families, weeks worked during the year, and the percent of Medicaid families classified as poor or near-poor) point to a significantly poorer, more needy, less work-oriented Medicaid population after OBRA than existed prior to OBRA. However, it must be noted that, while these changes in economic characteristics are consistent with the anticipated impacts of OBRA, they are also consistent with the kind of changes that might be expected to arise from other influences during this period--for example, the 1981-82 recession.

- After OBRA, the prevalence of employment-based group health insurance within the Medicaid population was significantly less than in the pre-OBRA period. Specifically, the percent of the Medicaid population covered by some form of group health insurance during the year stood at 11 percent after OBRA, as compared to 15 percent before OBRA. However, once again, confounding influences may have been at least partially responsible for this change.

The research design for the next part of the study is pre-post with controls for the confounding influences that troubled the foregoing descriptive assessment. In addition, the analysis concentrates on the AFDC/Medicaid subpopulation at whom the OBRA changes were targeted.

The principal findings in connection with the family income and earnings patterns within the AFDC/Medicaid subpopulation are as follows:

- OBRA reduced significantly mean income and earnings of AFDC-eligible Medicaid families;
- These impacts were highly concentrated among the working poor on Medicaid; those AFDC/Medicaid families with weak attachments to the labor force were largely unaffected;
- Mean family income (in constant 1979 dollars) for the working Medicaid subpopulation fell by roughly 10 percent as a result of OBRA dropping higher income families from the AFDC and Medicaid rolls, and perhaps causing some families to work and earn less in order to preserve eligibility for these assistance programs;
- Mean family earnings (in constant 1979 dollars) for the working Medicaid subpopulation fell even faster, dropping about 13 percent as a result of OBRA;
- Largely as a result of OBRA, the fraction of the working Medicaid subpopulation falling into the poor/near-poor category rose from about 73 percent to 80 percent.

In connection with the impact of OBRA on employment patterns and labor market activity within the working Medicaid subpopulation, the principal findings can be summarized as follows:

- OBRA changes, which threatened working families' eligibility for cash assistance and Medicaid, led to substantial voluntary reductions in work effort among these families.
- The employment-to-population ratio for working Medicaid families appears to have fallen by as much as 20 percent of its pre-OBRA level, as a result of these voluntary reductions in work effort.
- Even among those Medicaid recipients continuing to work, there appears to be some voluntary reduction in work effort (e.g., as measured by weeks worked), averaging about 10 percent.

The final issue considered in this study is the following: as families are removed from the Medicaid rolls by OBRA, to what extent are they successful in replacing Medicaid with private, employment-based health insurance? The evidence leads to the following conclusion:

- Among those families rendered ineligible for Medicaid by OBRA, approximately one-half of them were successful in replacing Medicaid with group health insurance, while the remaining one-half of these families were left with no health insurance coverage at all.

Among the various findings reported in this study, there are two in particular that merit further research:

- While about one-half of the families rendered ineligible for Medicaid by OBRA were successful in acquiring group insurance coverage, this legislation left the remaining one-half of these families with no health insurance coverage. Are there systematic differences--for example, by race, sex of household head, or family structure--in the distribution of these coverage losses?

- The methods employed here suggest that the work disincentive in OBRA led to reductions in work effort of 10-20 percent. Considering the longstanding policy interest in the effect of the potential loss of Medicaid benefits on work effort of AFDC recipients, coupled with the unusual natural experiment of national scope embodied in OBRA, further confirmation and quantification of the work disincentive using other methodological approaches is in order.

Introduction

The Omnibus Budget Reconciliation Act of 1981 (OBRA) scaled down significantly the nation's commitment to assisting poor and near-poor families. Among the major changes stemming from OBRA were those making it more difficult for families to qualify for cash assistance from the Aid-to-Families-with-Dependent-Children (AFDC) program. Since AFDC eligibility rules represent implicit eligibility rules for the Medicaid program (i.e., qualifying for AFDC cash assistance automatically entitles a family to Medicaid) the OBRA changes also made it more difficult for families to qualify for Medicaid. This major restructuring in the government's principal assistance programs affected an estimated 1-to-2 million people (Cromwell et al., 1984; General Accounting Office, 1984; also see Research Triangle Institute, 1983, and Rymer, 1984, for more general discussions of the AFDC/Medicaid changes under OBRA.) The nature of the impact involved not only loss of cash assistance from AFDC, but also loss of what many consider to be the nation's most generous health insurance policy, namely, Medicaid coverage.

The purpose of this study is to evaluate the impact of these OBRA-related changes on the characteristics of the Medicaid population. The general characteristics considered include patterns of income, employment, and group health insurance coverage in the Medicaid population. Separate analyses will establish the impact of OBRA on two groups: (1) the entire Medicaid population and (2) those AFDC/Medicaid subpopulations at which the OBRA eligibility changes were directed.

The OBRA changes became effective in October 1981, although some states delayed implementation a few months (General Accounting Office, 1984). In the Summer of 1984, many of the OBRA eligibility changes were themselves altered by further legislation, namely, the Deficit Reduction Act of 1984 (DEFRA). Accordingly, the analysis in this study pertains to the roughly three-year period bracketed by the effective dates for these two pieces of legislation.

This study is organized in the following way. First, the major OBRA changes are briefly discussed, and hypotheses about their effects on the Medicaid population are developed. Second, the characteristics of the entire Medicaid population before and after OBRA are described. Third, the impacts of OBRA eligibility changes on certain Medicaid subpopulations are analyzed: effects on income, work, and health-insurance coverage patterns among these subgroups are assessed. Suggestions for further research are presented in the final section.

OBRA Eligibility Changes and Their Anticipated Impacts

Among the various OBRA provisions altering the AFDC/Medicaid eligibility rules, several were clearly designed to restrict entitlement to the most needy families only, with greatest preference provided to those poor families with little or no earned income. Those rule changes directed most explicitly at limiting family income and earnings are the ones relevant to this study, given its concern with the effect of OBRA on income and employment-related (including group health insurance coverage) patterns among the Medicaid population. The OBRA-induced alterations in eligibility rules most clearly related to the concerns of this study are:

- the limitation of gross income to 150 percent of the state need standard;
- the inclusion of a stepparent's income when determining whether a case satisfies the state's need and payment standards;
- the calculation of the $30 plus one-third earned income disregard on net rather than gross income;
- the restriction of the earned income disregard to 4 consecutive months of employment;
- the placement of a $75 per month ceiling on work-expense deductions for fulltime employment; and
- the placement of a $160 per month ceiling on the child-care expense deduction for each child.

Each of these major changes, affecting permissible income and earnings levels for AFDC/Medicaid families, will be discussed in turn. (For a more detailed description of the OBRA changes affecting AFDC/Medicaid eligibility rules, see Appendix C; also see Hill, 1984.)

Prior to OBRA, no limitations were imposed on total family income. What mattered for eligibility was "countable income," that is, total family income less various deductions, such as work expenses, child care expenses, and the monthly "earnings disregard" (that portion of earnings--$30 plus one-third of remaining earnings--explicitly disregarded when computing countable income). Therefore, families with relatively high total incomes could qualify for AFDC cash assistance and, thus, Medicaid if they could justify sufficiently large deductions from that total income. OBRA ended this possibility by explicitly rendering all families with total incomes exceeeding 150 percent of their state's need standard ineligible for AFDC cash assistance and, thus, Medicaid (at least via this particular eligibility route). While this rule change was expected by many states to affect few families (General Accounting Office, 1984), it should nevertheless serve to make the Medicaid population (and especially the subpopulation of AFDC-cash eligibles) marginally poorer on average. In addition, this provision may lead some families with earned income to reduce their work effort, in order to protect their eligibility for both AFDC and Medicaid benefits. (It should be noted that DEFRA partially reversed this change, by raising the total income limitation to 185 percent of the state's need standard.)

The OBRA-related change in the treatment of a stepparent's income (a change unaffected by DEFRA) should have a similar effect, at least on average income levels in the Medicaid population. Prior to OBRA, there was no general federal requirement that a state include a stepparent's income in calculating a family's countable income. If state law required stepparents to support their stepchildren, or if evidence of support existed, then the state was required to consider the stepparent's income

as being available to the stepchild. However, if neither of these conditions were satisfied, then the state could ignore a stepparent's income in determining AFDC and Medicaid eligibility for the dependent child and the natural parent. OBRA required the states to consider a stepparent's income in making the eligibility determination. Several states viewed this alteration as a major change (General Accounting Office, 1984), likely to save a substantial amount of money, especially for AFDC but also perhaps for Medicaid (to the extent inclusion of this income item caused families to become ineligible). As suggested above, the principal effect of this OBRA-related change in the eligibility rules should be to make the Medicaid population a somewhat poorer population on average. This will occur for two reasons. First, families losing eligibility as a result of this change will be the higher income families, so as they leave the Medicaid population the remaining population is poorer on average. Secondly, for those retaining eligibility, including a stepparent's income in countable income will reduce AFDC cash assistance payments, thereby further reducing the (average) economic well-being of the Medicaid population.

The remaining OBRA-related changes (relevant to this study) center on the treatment of earnings in determining eligibility for AFDC cash assistance and, ultimately, eligibility for Medicaid. Prior to OBRA, earnings were reduced in the following way before being added to other income items in computing monthly countable income:

- $30 plus one-third of remaining earnings was deducted (or "disregarded") from gross earnings (refer to this reduced amount as "adjusted earnings"); and then,

- all reasonable work expenses, including child care expenses were deducted from adjusted earnings, yielding net earnings, or the earnings item included in counted income.

(For further details on the computation of countable income, see Figure C-2 in Appendix C.)

After OBRA became law, the generosity of these deductions or disregards was limited substantially. In computing countable income, earnings could be reduced by the following items (and in the order indicated):

- all reasonable work expenses (not including child care costs), up to $75 per month; and
- child care costs, up to $160 per month per child, yielding net income; and then from net income, subtract
- $30 plus one-third of remaining earnings, but for no more than four months; after four months, this disregard can not be used to reduce net income (This restriction was relaxed somewhat by DEFRA; see Hill, 1984.)

In limiting the deductions from earnings, these OBRA changes reduced, by substantial amounts in some cases, cash assistance payments for AFDC families with earned income. For some of these families, these changes would have dropped cash assistance payments to zero, thereby causing a loss of Medicaid eligibility. (In states with medically needy programs, some of these families could regain their Medicaid coverage as medically needy families; see Cohen and Holahan, 1984.)

The principal implications of these observations for the characteristics of the Medicaid population are as follows. The earnings-related changes under OBRA would cause some families to lose

eligibility for Medicaid; in general, these families would be those with higher earnings and, thus, higher total incomes. The consequence would be a poorer Medicaid population, with lower average earnings and lower average family incomes. The OBRA-related changes would reduce cash assistance payments for those AFDC families with earnings, implying a further reduction in average family incomes among the Medicaid population.

Finally, all of these earnings-related changes reduce substantially the reward for working. In fact, if these changes lead to loss of a family's Medicaid eligibility, they could be viewed, not simply as reducing rewards for working, but as seriously penalizing work effort. The consequence of these diminished work incentives should be a reduction in work effort among the Medicaid population, with some recipient families reducing work effort in order to preserve eligibility for Medicaid and some reducing it simply because the loss of the earnings disregard or other deductions has left working not worthwhile.

Those OBRA eligibility changes related to earnings also carry with them implications pertaining to the extent of group health insurance coverage in the Medicaid population. At any time, a fraction of the Medicaid population is covered by some form of employment-based group health insurance. Since the key eligibility provisions of OBRA were targeted on families with earnings, two important implications arise. First, among those rendered ineligible by the earnings-related OBRA eligibility provisions, the extent of group health insurance coverage will greatly exceed that apparent in the entire Medicaid population (since that coverage is concentrated among working families). Second, as the OBRA provisions remove working families from the AFDC/Medicaid rolls, the proportion of the Medicaid population covered by group health insurance

should fall (since fewer workers will remain after the OBRA provisions take their toll).

By way of summary, the foregoing discussion can be organized into a set of hypotheses about the effects of OBRA on the characteristics of the Medicaid population. These hypotheses have been developed and structured so as to facilitate the testing of them with data from the March Current Population Survey (CPS). (Additional hypotheses about the effects of OBRA could certainly have been posed; but they could not have been tested adequately with the CPS data on which this study is based.) Specifically, the hypotheses about the OBRA effects are:

- On average, total family income (including cash assistance) for Medicaid enrollees should have declined;
- Average family earnings (and other dimensions of labor market activity, such as average weeks worked) among the Medicaid poulation should have fallen;
- Some of this expected decline in work effort among the Medicaid population should be due to those families with the greatest labor market attachment becoming ineligible for Medicaid; but some of this expected decline should also be due to working Medicaid families simply working less, or even dropping out of the labor force, in response to the work disincentives created by OBRA;
- Average cash assistance payments to Medicaid families should have risen;
- The proportion of Medicaid families covered by employment-based group health insurance should have declined; and

- Among the families rendered ineligible for Medicaid by the earnings-related provisions of OBRA, the proportion covered by group health insurance (GHI) should exceed substantially the average GHI coverage proportions observed among the entire Medicaid population.

These hypotheses pertain to the partial effect of OBRA; that is, they are statements (to be tested) about what would have happened to the Medicaid population during the period from October 1, 1983 through March 1983 (the end of the period covered by the CPS data employed in this study) had all other major influences on the characteristics of the Medicaid population remained constant. Unfortunately, several other factors capable of altering significantly the characteristics of the Medicaid population were also varying over this period, thereby confounding the simpler and more straightforward approaches to testing these hypotheses.

In all likelihood, the most serious confounding influence stemmed from the economic recession of that period. Between October 1981 and March 1983 the national unemployment rate rose from 8.0 percent to 10.3 percent (U.S. Department of Labor, various years). Associated with this change in the unemployment rate was an increase in the number of unemployed persons equal to about 2.8 million persons. A rising unemployment rate will tend to stimulate growth in the number of families on the AFDC/Medicaid rolls (see, e.g., General Accounting Office, 1984). These newly unemployed families are likely to have somewhat different characteristics (at least in certain key dimensions) than the "typical" AFDC/Medicaid family, simply due to their recent substantial attachment to the labor force. Consequently, as such families come into the Medicaid

population, they may alter the mean characteristics of that population, thereby interfering with any attempt to isolate the effects of OBRA.

A second factor capable of obscuring the effect of OBRA is the general inflation occurring during the period from October 1981 through March 1983. Over this period, the consumer price index (CPI) rose by roughly 6 percent. As a result of this general inflation, there will be a natural tendency for the nominal value of incomes and earnings to grow, thereby raising the mean values of these variables for the Medicaid population.

A more subtle and potentially confounding effect stems from the interaction beween (1) the inflation-induced growth in family incomes within the Medicaid population and (2) state policies concerning the growth in cash-assistance payment standards during inflationary periods. The tendency for the growth in state payment standards to lag substantially behind the growth in the general price level is well known (e.g., see Rowland and Gaus, 1983). Clearly, such a phenomenon--representing a continuing and automatic tightening of AFDC/Medicaid eligibility standards--would tend to render increasing numbers of higher income families ineligible for cash assistance and, thus, Medicaid. To the extent this occurs, the characteristics of the Medicaid poulation would change, probably in much the same way as they would due to OBRA pushing higher income families off the cash assistance and Medicaid rolls. Obviously, such an inteaction has consequences which would tend to obscure the effects of OBRA.

At this point, these various confounding influences are merely recognized. In the subsequent analysis, they will be taken into account in an effort to isolate from them the actual effects of OBRA on the characteristics of the Medicaid population.

Characteristics of the Medicaid Population before and after OBRA

In this section of the study, selected demographic, employment, and health insurance characteristics of the entire Medicaid population before and after OBRA are examined. This broad-brush descriptive assessment, with no controls for confounding influences, represents the simplest, most straightforward, but of course naive, approach to quantifying the effects of OBRA on the characteristics of the Medicaid population. A subsequent section contains a more sophisticated analysis of the issue.

Data

The data for this part of the study are taken from the March 1981 and the March 1983 Current Population Surveys (CPS). (The analysis in a subsequent section also employs data from the March 1980 and March 1982 CPS.) The CPS is based on a stratified probability sample of the civilian noninstitutionalized population of the United States (see Appendix B for a detailed discussion of this data source). Aside from the decennial census, the CPS is the most comprehensive and reliable source of general demographic and economic information available. Each year the CPS collects information on approximately 70,000 households containing about 170,000 individuals. The March component of the CPS concentrates on the employment and earnings patterns, in addition to collecting detailed demographic and other economic information. In general, the information pertains to the calendar year preceding the survey; for example, most of the data generated by the March 1983 survey applies to the 1982 calendar year. However, some of the information on employment patterns pertains to the survey week. (This

distinction will prove especially important in the next section of the study.)

The principal advantage of the CPS is the light it sheds on income and employment patterns in the Medicaid population, characteristics which cannot be discerned with Medicaid program data. Of course, the CPS also provides information on certain demographic or programmatic features (e.g., age, sex, eligibility category) which can also be characterized with program data: in such instances, the program data obviously represent the authoritative source of information. CPS measures of such variables are presented in the present study merely as a check on the validity of the CPS as a source of information on the Medicaid population.

The March 1981 CPS collected information on 15,382 persons who were covered by Medicaid at some time during 1980; this number of CPS persons weights up to a national total of about 19.0 million noninstitutionalized Medicaid enrollees for that year. Tabulations of HCFA 2082 data reveal that about 18.8 million noninstitutionalized persons received one or more services under the Medicaid program during 1980. However, it is likely that the number of persons enrolled in the program at some time during the year exceeds this count of recipients. The March 1983 survey yielded 13,423 observations on Medicaid enrollees in calendar 1982; this number weights up to a national total of 18.9 million noninstitutionalized Medicaid enrollees. (Notice that even though the number of observations on Medicaid enrollees declined between March 1981 and March 1983, the weighted count remained about the same; this seeming paradox is attributable simply to differences in the weights for the two periods.) In this year program totals equalled 18.9 million noninstitutionalized enrollees. Clearly, the CPS does not yield an

accurate estimate of the total number of Medicaid enrollees, since weighted estimates from it only approximate the number of recipients. However, this apparent shortcoming of survey data does not represent a problem for the present study, unless the underreporting is systematically related to the variables of interest. Provided the underreporting is randomly distributed with respect to these variables, they can be fairly and accurately represented with the CPS data. Since there is no evidence to the contrary, and since those measures that can be cross-checked against program data are reasonable (see below), this study assumes explicitly that underreporting of Medicaid status creates no serious problems with respect to the objective of the evaluation of OBRA's impacts.

Findings

The principal results for this descriptive analysis are presented in Table 1. While the findings reported in this table are based upon the 1981 and 1983 surveys, all of the measures of Medicaid population characteristics pertain to the 1980 and 1982 calendar years. Data from these years were selected because they apply to the years immediately before and after the year in which OBRA became effective. Some of the population characteristics described in Table 1 refer to individuals in the Medicaid population while others refer to Medicaid families.

The results in Table 1 are divided into three major categories: demographic characteristics, economic characteristics, and health insurance coverage characteristics. Each of these will be discussed in turn. In general, the discussion will concentrate first on the pre-OBRA characteristics, and then consider how those characteristics differ, if at all, in the post-OBRA period.

Table 1

Selected Characteristics of the Medicaid Population before and after OBRA[a]

Selected Individual or Family Characteristic	Before OBRA 1980	After OBRA 1982
Demographic Characteristics		
Age	30	29***
Percent female	61	60
Percent of families headed by females	66	67
Percent white	63	64
Percent married	19	18*
Percent of family heads married	23	22
Family size	2.7	2.7
Percent living in urban areas	69	68**
Economic Characteristics		
Mean family income	$6,956	$7,143
Percent of family in poor or near-poor category	78	81***
Mean family earnings	$2,747	$2,314***
Percent of family heads with earnings	30	26***
Weeks worked by heads with earnings	30.8	28.4***
Health Insurance Coverage Characteristics		
Percent covered by Medicaid	100	100
Percent covered by group health insurance	15	11***

*The difference between the 1980 and 1982 values is statistically significant at the 90 percent level.
**The difference between the 1980 and 1982 values is statistically significant at the 95 percent level.
***The difference between the 1980 and 1982 values is statistically significant at the 99 percent level.

[a]Sample sizes are 15,382 for 1980 and 13,423 for 1982.

SOURCE: Authors' tabulations of data from the March Current Population Survey.

Demographic Characteristics--

As shown in Table 1, the CPS estimates reveal the Medicaid enrollee population in 1980 to have an average age of 30 years, or somewhat less than the average age for the U.S. population overall (Bureau of the Census, 1982). Such an estimate is clearly consistent with program data which show, for example, that about 47 percent of all Medicaid recipients in that general time period were under 21 years of age (Muse and Sawyer, 1982; Sawyer, et al., 1983), reflecting, of course, the facts that persons in AFDC families account for about two-thirds of the Medicaid population and that the institutionalized, who are mainly elderly, are not represented on the CPS. In contrast, only about 37 percent of the U.S. population is under 21 years of age (Bureau of the Census, 1982).

The CPS data show the Medicaid population to be predominantly female: in 1980, about 61 percent of all noninstitutionalized enrollees were female. Program data reveal a somewhat higher proportion of females. For instance, in 1979, 65 percent of all recipients were female (Muse and Sawyer, 1982). This discrepancy arises for at least two reasons: (1) women enrollees are more likely than men to use medical services, so the proportion of females in the recipient population can be expected to exceed them in the enrollee population; and (2) program data include the institutionalized, a subpopulation more predominantly female than even the general Medicaid population, whereas the CPS data exclude this group.

According to the CPS estimates, 66 percent of all noninstitutionalized Medicaid families were headed by females in 1980. This proportion greatly exceeds that for the entire U.S. population: about 15 percent of all U.S.

families were headed by females during this period (Bureau of the Census, 1982). Obviously, this difference is expected, since Medicaid eligibility rules assure a large concentration of single-parent families, and single-parent families are almost always headed by a female.

The CPS indicates that white persons accounted for approximately 63 percent of all noninstitutionalized enrollees in 1980. In contrast, white persons comprise about 86 percent of the total U.S. population. The difference arises, of course, from the fact that nonwhite persons are disproportionately represented among the AFDC cash-recipient population. In fact, nonwhite persons account for about half of the AFDC cash-recipient population (Bureau of the Census, 1982).

Only 19 percent of the noninstitutionalized Medicaid population was married in 1980, according to the CPS estimates. In part, this low marriage rate reflects the presence of a relatively large number of children in this population. However, it also reflects the fact that single-parent families are much more likely than two-parent families to qualify for Medicaid. Accordingly, when attention is limited to Medicaid family heads only, the marriage rate rises but slightly, namely, to 23 percent rather than the 19 percent applicable to the entire noninstitutionalized population.

Average family size among the noninstitutionalized Medicaid enrollee population was 2.7 persons in 1980. This measure is based upon the Census definition of family, so it does not correspond exactly to the concept of the Medicaid case. However, a comparison with results reported in Adler and Adler (1983) suggests that, on average, there is a fairly close correspondence. Specifically, based upon an analysis of Medicaid Quality Control data, they found that the average size for the Medicaid case was 2.8 persons in 1980.

The final demographic aspect to be considered is place of residence. In 1980, 69 percent of the noninstitutionalized Medicaid population resided in urban areas, according to the CPS estimates. In the entire U.S. population, the proportion of persons living in urban areas is around 75 percent (Bureau of the Census, 1982). The source of this difference surely arises from the fact that the incidence of poverty, and thus the likelihood of qualifying for categorical cash assistance and Medicaid, is simply higher in rural areas than in urban areas.

A comparison between the 1980 pre-OBRA and the 1982 post-OBRA demographic characteristics reveal only slight changes (although, because of large sample sizes, some of these small changes are statistically significant). After OBRA, the noninstitutionalized Medicaid population appears to consist of individuals who, on average, are:

- slightly younger;
- marginally less likely to be female;
- although marginally more likely to live in a female-headed family;
- somewhat more likely to be unmarried; and
- slightly less likely to live in an urban area.

On balance, these results clearly support the view that OBRA had little, if any, effect on the mean demographic characteristics of the noninstitutionalized Medicaid population.

Economic Characteristics--

The second set of characteristics to be considered are those pertaining to various economic dimensions of the noninstitutionalized Medicaid

population. Once again, the nature of the characteristics in the pre-OBRA period (1980) will be considered first. Then, the question of how those characteristics differ in the post-OBRA period (1982) will be addressed.

The estimates in Table 1 show mean income for Medicaid families in 1980 to be $6,956. As anticipated, since Medicaid is designed mainly to assist low-income families, this income level in 1980 would place a family (of four persons) well below the federal poverty standard for that year. Even before OBRA, the average standard of living among the Medicaid population was low, by any generally accepted benchmark.

Another perspective on the standard of living among the noninstitutionalized Medicaid population is provided by the measure indicating the percent of Medicaid families classified as poor or near-poor. For 1980, this poor/near-poor notion encompasses families with incomes less than 150 percent of the federal poverty standard, which would approximately place them at or below the 25th percentile in the U.S. income distribution (Fendler, 1984; Welniak and Henson, 1984). Before OBRA, the fraction of the Medicaid population in this category was 78 percent. While this proportion may strike some as surprisingly low, it merely reflects three quite reasonable features either of the various Medicaid programs or of the data. First, some states have generous eligibility standards which permit relatively high income families to qualify for categorical cash assistance and, thus, Medicaid. Secondly, many states have "spend-down" provisions which permit relatively high-income families (or individuals) to attain eligibility for Medicaid. Third, since the data reflect annual incomes and eligibility determinations are based upon monthly incomes (among other considerations), it is surely possible that families with relatively high

overall annual incomes but low monthly incomes at certain points during the year could qualify for Medicaid, however briefly.

The next economic characteristic for the Medicaid population, mean family earnings, stood at $2,747 in 1980. Average earnings among Medicaid enrollees are low for two reasons. First, most Medicaid families have zero earnings during the year. This point is confirmed by the evidence in Table 1 pertaining to the percent of family heads with earnings. Only 30 percent of Medicaid family heads in 1980 earned income. Second, even those who work generally work substantially less than full-time. This point is also confirmed by data presented in Table 1: among those Medicaid-family heads with earnings, the number of weeks worked, on average, equalled only 30.8.

Turning to an examination of the post-OBRA economic characteristics, it is clear that most of them, if not all, have changed in ways consistent with the predicted impacts of OBRA. Only mean family income, which rose by 2.7 percent between 1980 and 1982, moved in a direction contrary to what might have been expected as a result of OBRA. However, when contrasted with the general rate of inflation over those two years, equalling 17.2 percent, this increase in nominal family income appears small indeed.

All of the other economic indicators clearly and unambiguously point to a significantly poorer, more needy Medicaid population after OBRA, than existed before OBRA. The percent of Medicaid families in the poor or near-poor category--that is, with total family incomes approximately at or below the 25th percentile of the income distribution--rose to 81 from 78. Mean family earnings, unadjusted for inflation, actually fell by 15.8 percent, to $2,314 in 1982 from $2,747 in 1980. The fraction of Medicaid family heads who earned income during the year fell by 4 percentage points,

to 26 percent from 30 percent. In addition, those heads who worked during the year worked fewer weeks, 28.4 rather than 30.8 weeks. As indicated in Table 1, all of these changes are statistically significant at conventional levels of confidence.

However, it must be reemphasized that, while these changes in economic characteristics are consistent with the anticipated impacts of OBRA, they are also consistent with the kind of changes that might be expected to arise from the 1981-1982 recession or from the interaction between the early-80s inflation and state policies regarding AFDC need standards. Since the analysis surrounding Table 1 does not control for these other potentially important influences on the characteristics of the Medicaid population, it can be viewed as yielding only suggestive evidence on the impacts of OBRA. In the next section of this study, considerable attention will be devoted to sorting out OBRA's effects from these potentially confounding influences.

Health Insurance Coverage Characteristics--

The final set of characteristics considered in Table 1 are those pertaining to health insurance coverage. Since the group under examination in both the before- and after-OBRA periods is the Medicaid population, Table 1 confirms the obvious: that is, 100 percent of the analytic sample was covered by Medicaid in both periods. Clearly, this result serves simply as a check on sample validity, rather than as a finding related to the impact of OBRA.

However, the other piece of evidence in Table 1 related to health insurance coverage--the percent of the Medicaid population covered by group health insurance--merits more serious attention. Prior to OBRA, the CPS

estimates suggest that 15 percent of the Medicaid population had some form of employment-based group health insurance during the year (preceding the survey). In connection with both Medicaid and group health insurance, the CPS inquires only about coverage any time last year. Accordingly, this coverage rate of 15 percent must be interpreted as arising from the combination of (1) those covered simultaneously by both Medicaid and group health insurance at some time during the year, and (2) those covered sequentially during the year by these two forms of health insurance.

After OBRA, this group health insurance coverage rate stood at 11 percent, down significantly from the 15 percent rate for the pre-OBRA period. As noted in the preceeding section, such a change could have been anticipated in light of the OBRA changes making AFDC/Medicaid eligibility more difficult for working families to achieve or preserve. However, the recession could have similar effects. By increasing the unemployment rate and by lengthening the average duration of unemployment, the 1981-1982 recession would also tend to lower the proportion of Medicaid families reporting coverage by employment-based group health insurance. Thus, once again, these findings are merely suggestive of the impacts of OBRA on the characteristics of the Medicaid population.

Summary

This section has portrayed, in broad-brush fashion, the changes in the characteristics of the Medicaid population following the passage of OBRA. However, since the analysis in this section did not control for a number of confounding influences, it is not yet possible to conclude, from the evidence presented here, whether these changes stemmed mainly from OBRA or from other

factors. In addition to this problem of attribution, there is also a problem of fully and accurately assessing the magnitude of changes for the Medicaid sub-group on which the OBRA eligibility changes were targeted (i.e., the AFDC working families) when the entire Medicaid population is included in the analysis. Specifically, including in the analysis groups who were not the target of the legislation may cause some masking of the effects of OBRA. These problems are handled in the next section of this study.

Impact of OBRA on Medicaid Subpopulations

The purpose of this section of the study is to disentangle the effects of OBRA from the main confounding effects that troubled the analysis in the preceding section. The principal difficulties encountered in the foregoing analysis of OBRA's effects on the entire Medicaid population are the following:

- OBRA was targeted primarily on working welfare (i.e., AFDC/Medicaid) families, whereas the preceding analysis encompassed the entire Medicaid population;
- the 1981-82 recession presumably increased the number of AFDC cash recipients and, hence, Medicaid enrollees, thereby tending to offset OBRA's effect;
- there may have been other, longer term trends in eligibility policy continuing into the post-OBRA period (e.g., states permitting inflationary forces to effectively lower their need and payment standards, thereby implicitly making AFDC/Medicaid eligibility standards increasingly restrictive over time); and
- the inflation of the early 1980s no doubt masked the true nature of changes in income and earnings during the period (e.g., the nominal value of mean income and earnings in a population might actually rise during an inflationary period, even though the real--that is, inflation-adjusted--value of these variables declined).

To account for the fact that OBRA was targeted on specific subpopulations rather than the entire Medicaid population, the analysis in this section concentrates on AFDC/Medicaid families only. To adjust for the confounding effects of the recession, a control group, comprising poor and near-poor nonMedicaid working families, is developed. To capture the influence of any long-term trends associated with the interaction between inflation and state need standards, the analytic data base was extended to cover three years of the pre-OBRA experience. Finally, to adjust for the effect of inflation on nominal values of income and earnings, the present analysis converts all such measures into constant (or inflation-adjusted) dollars. The technical nature of the various analytic adjustments is described in detail in the next section.

Methods

Selection of Target Subpopulations--

The OBRA changes are expected to affect Medicaid eligibility principally through their impacts on AFDC eligibility. Accordingly, the empirical analysis in this section concentrates on those families who gained access to Medicaid through their AFDC status. This orientation led to the following Medicaid subpopulations being excluded from the analytic samples: (1) all persons age 65 years or older, (2) all persons receiving Medicare, and (3) all persons receiving cash assistance from the Supplemental Security Income Program (SSI). In addition, certain family-structure criteria were employed to assure that those persons represented in the analytic samples actually lived in families capable of meeting the most basic categorical

requirement for AFDC, namely, living in a family containing one or more children.

Once these exclusions have been applied, the remaining sample consists of the two remaining groups: (1) Medicaid enrollees in families reporting receipt of cash assistance from AFDC, and (2) Medicaid enrollees in families not reporting receipt of AFDC cash benefits (i.e., the medical-assistance-only subpopulation).

OBRA was targeted at a margin. That is, it was targeted not at all working AFDC/Medicaid families, but at those with relatively high earnings, families who presumably could provide for their own support through continued, or perhaps somewhat greater, work effort. In order to reflect the fact that OBRA was directed mainly at families with relatively substantial earned income, the analytic samples were subdivided into two groups: (1) those families with substantial labor market involvement (the presumed targets of OBRA), and (2) those with little or no attachment to the labor force (presumably, a group not much affected by OBRA).

These notions of "substantial" and "minimal" labor market involvement were made operational in the following way. Medicaid families with annual earned income of $1,500 or less (in 1979 dollars) were classified as having "little or no" labor force participation (LFP), while those with annual earned income of more than $1,500 (in 1979 dollars) were classified as having "substantial" LFP. Annual earnings of $1,500 represents approximately what a person being paid the minimum wage could earn by working one day a week throughout the year. It also represents an amount which falls below all of the AFDC payment standards for 4-person families and all but six of the payment standards for 2-person families. (The exceptions are six southern

states with the nation's lowest payment standards.) These observations suggest that drawing the dividing line at $1,500 almost surely includes in the substantial-LFP group anyone whose Medicaid eligibility was threatened by the work-related provisions of OBRA. As will become clear shortly, the findings strongly support this contention.

Selection of a Control Group--

So as to permit an adjustment of the findings pertaining to the AFDC/Medicaid subpopulations for the influences of the 1981-82 recession, it was necessary to construct a control group, whose behavior would reflect the effects of the recession but not the effects of OBRA. For this control group, nonMedicaid families with substantial labor force involvement were selected from the poor and near-poor populations. The low-income population was defined as those families with incomes approximately at or below the 25th percentile of the distribution of family incomes. In 1979 the 25th percentile of the income distribution coincided with 150 percent of the federal poverty standard, an income level often used for establishing a dividing line between the poor and near-poor segments of the income distribution and the remaining higher income portion of that distribution. For subsequent years, the 150-percent-of-poverty standard was not employed as the criterion for identifying poor or near-poor families, simply because it was not a stable standard (with respect to the purposes of this study) over the analysis period. Between 1979 and 1982, incomes--especially those in the lower part of the income distribution--increased more slowly than the federal poverty standard, which is shifted annually to keep pace with growth in the consumer price index (CPI). As a result, the proportion of the U.S.

population with incomes at or below the poverty level grew substantially over this four year period (from 11.7 percent in 1979 to 15.0 percent in 1982). Whenever the poverty standard rises more rapidly than incomes, mean family income and earnings among the 150-percent-of-poverty group will be, in a very important sense, artificially inflated, as higher and higher income families are brought into the group. For the present purposes, this outcome serves merely to confuse and distort the evidence concerning the recession's impact on a particular low-income, non-Medicaid population. Consequently, the 25th-percentile-of-the-income-distribution standard was adopted, since that is invariant to the pace of inflation in the CPI.

A problem with the poor/near-poor control-group subpopulation arises from the fact that the mix of family structures is rather different than that observed in the AFDC/Medicaid subpopulation. In particular, the control group has relatively fewer single-parent families than the AFDC/Medicaid group, which is dominated by single-parent families. To handle this problem, both the control and the AFDC/Medicaid samples were divided into two subsamples: (1) one comprising single-parent families and (2) one consisting of two-parent families. This sample stratification then permits comparisons of families matched on these crucial family-structure characteristics.

Finally, a number of the sample-selection criteria employed in establishing the AFDC/Medicaid sample were also used in constructing the control-group sample. Specifically, the control-group sample was limited to nonelderly persons not receiving benefits from either Medicare or SSI.

Time Period of the Analysis--

The time period for the analysis in this section is the four-year span from 1979 through 1982. In contrast, the analysis in the preceding section

concentrated on two years only: 1980 and 1982. So, the present analysis adds both another pre-OBRA year and the year (1981) in which OBRA became law. The addition of any further years, prior to 1979, is not possible, since 1979 was the first year that health insurance questions--including those about Medicaid status--became a permanent part of the CPS questionnaire. The 1981 data reflect a mixture of pre-OBRA and post-OBRA experience. However, since the effective date of OBRA was October 1, 1981, and even then many states failed to implement OBRA requirements until one or more months later (General Accounting Office, 1984), the pre-OBRA influences should easily dominate in the 1981 data.

Conducting the analysis with data pertaining to this particular four-year sweep of time offers a number of advantages. First, the data for 1979 and 1980 apply to two years which are clearly pre-OBRA, while the data for 1982 apply to a year that is clearly post-OBRA. Second, this time period begins prior to the recession of the early 1980s, but also includes the experience of that recession. To make this point explicitly, the national unemployment rate was 5.8 percent in 1979, 7.1 percent in 1980, 7.6 percent in 1981, and 9.7 percent in 1982 (Bureau of Labor Statistics, various issues). The influence of this variation in macroeconomic activity on the AFDC/Medicaid population will be established by examining the trends in behavioral patterns within the control-group population.

Third, these years encompass a period of substantial, although declining, inflation. Between the years 1979 and 1982, the CPI increased at annual rates of 13.3 percent, 12.4 percent, 8.9 percent, and 3.9 percent, respectively. With the availability of observations from each of these

years, it will be possible to observe and adjust for any trends resulting from the interaction between inflation and state need amd payment standards. (However, this control may be unnecessary, as a separate analysis presented in Appendix D reveals little or no tendency for state payment standards to become more restrictive between 1979 and 1982.

Inflation Adjustments--

One of the important economic characteristics on which this study focuses is a subpopulation's standard of living. The operational measure for this notion is total family income. Changes in the nominal value of this measure can arise because of actual changes in purchasing power (reflecting a real change in standard of living) or because of purely inflationary changes (involving no improvement in the standard of living). In order to accurately assess any changes in living standards, it is therefore necessary to adjust the nominal value of family income to remove the effects of inflation. To this end, the CPI is used to translate nominal income values into real income amounts measured in constant 1979 dollars.

Analytic Procedure--

The analysis of the data involves a series of intergroup and intertemporal comparisons of means and proportions. The apparent simplicity of this approach is potentially deceiving, appearing to involve nothing more than straightforward comparisons of crosstabulations. However, it must be reemphasized that these comparisons are based upon samples carefully

constructed to implicitly and explicitly control for a variety of nonOBRA influences. Thus, from an analytic point of view, the subsequent analysis is multivariate in nature.

The analysis in the preceding section examined a wide range of demographic, economic, and health insurance characteristics. Many of these characteristics, but especially the demographic ones, did not change between the pre- and post-OBRA periods. These stable demographic characteristics receive no further attention in this part of the study. Rather, here the focus of the analysis is narrowed to include only selected income, employment, and health insurance characteristics likely to have been affected by OBRA.

Finally, the key comparisons are made with the aid of statistical significance tests, namely, tests of differences in means or proportions. Typically, the significance tests are applied to differences between 1980 (the last full year before OBRA) and 1982 (the first full year after OBRA). The complete set of significance tests are reported in Appendix A; in the text presentation of the findings, only those relevant to the main theme of the discussion are noted.

Findings

In accordance with the research design described above, separate analyses were conducted for the following sets of Medicaid and control groups:

- single-parent families receiving AFDC/Medicaid assistance, and comparable control families;

- single-parent families receiving Medicaid alone, and comparable control families;
- two-parent families receiving AFDC/Medicaid assistance, and comparable control families; and
- two-parent families receiving Medicaid alone, and comparable control families.

This section concentrates on the findings for the single-parent families receiving AFDC/Medicaid assistance. The detailed results for the other three groups are presented in Appendix A. There are two reasons for limiting the discussion to the single-parent AFDC/Medicaid group (with controls). First, the results for this group are based upon the largest sample and, thus, are the most reliable. Second, and more importantly, the basic findings are the same in every relevant respect for all four of these groups.

In this section, the key findings are presented through a series of figures. In general, each figure contains two panels. The first plots the level or proportion of a variable by year, with a reference line dividing the pre- and post-OBRA period. The second panel converts the data to an index number, with the 1979 value serving as the reference year (i.e., always equalling 100). The purpose of this second panel is to show changes in relative magnitudes over time. To illustrate the calculation of this index, the 1980 index value for a variable is calculated by diving the 1980 value of a variable by its 1979 value, and multiplying by 100. These index panels also contain pre- and post-OBRA reference lines to facilitate sorting out the impact of OBRA from other trends and influences.

Before entering into a discussion of specific findings, it may prove beneficial first to discuss, in somewhat more abstract terms, the various possible reasons that might justifiably be offered as explanations for why a mean or proportion for a variable measuring some specific subpopulation characteristic changes over time. Obviously, sampling error is one possible reason. Beyond that, three general reasons for change are apparent: (1) the behavior of continuing members of the subpopulation may have changed substantialy; (2) the behavior of persons entering the subpopulation over time may be systematically different than that of continuing members; or (3) the behavior of persons leaving the subpopulation over time may be noticeably different from those remaining.

To illustrate these last three points, suppose that mean family earnings in the AFDC/Medicaid subpopulation is observed to decline between two years. Why might this happen? First, the continuing members of this subpopulation may have earned less, on average. Second, persons coming into this subpopulation in the second year may have substantially less earned income than members of the subpopulation continuing from the first year (so as they enter the group, the mean falls). Third, persons exiting from the subpopulation in the second year may have substantially greater average earnings than those remaining in the subgroup (so as they leave, the mean falls). Of course, all three of these forces may be at work in any given year, in which case the issue becomes one of identifying the dominant factors.

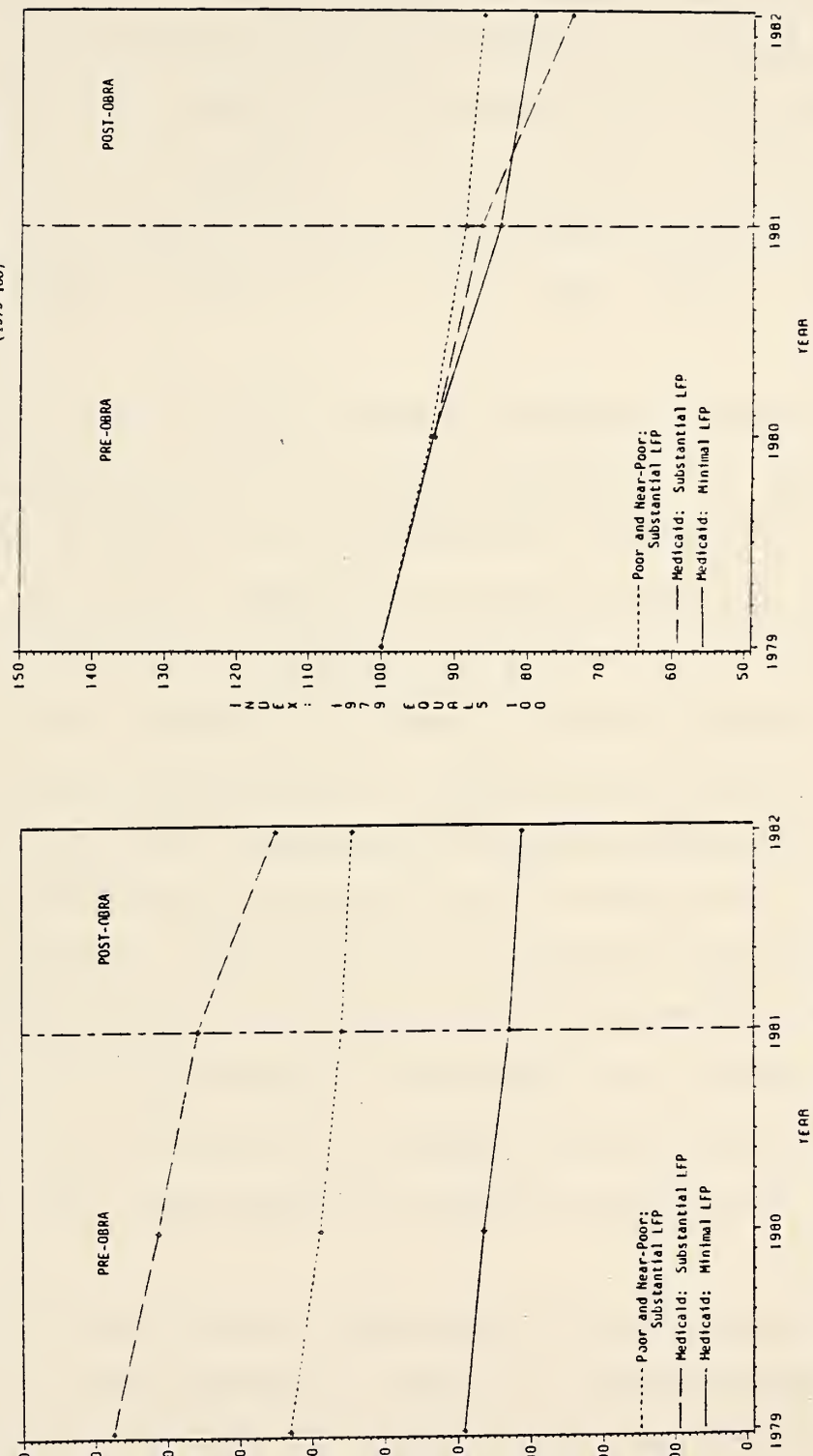
Income Characteristics--

The first characteristic to be considered is mean family income in constant 1979 dollars. The results for the key Medicaid group--that is, single-parent families receiving AFDC cash assistance--and the counterpart control group are shown in Figure 1.

In each of the four years, mean family income is highest for the Medicaid working families and lowest for Medicaid families with minimal LFP (hereafter referred to as "nonworking" Medicaid families, simply for expository convenience). Mean income for control-group families lies between the income levels for the two Medicaid subpopulations. The fact that AFDC/Medicaid working families have higher average income than low-income control families (who, by definition, have not qualified for welfare assistance) appears paradoxical. However, there are sound reasons for this difference. One reason is simply that cash assistance income, part of total family income, raises mean income for AFDC/Medicaid families, but has no effect, of course, on income levels within the control group. A second reason is related to the systematic and substantial variation in state AFDC need and payment standards. In some states, families with even relatively high incomes can qualify for AFDC/Medicaid, whereas in other states families with substantially less income cannot satisfy the need or payment standards. This fact alone could result in mean income for working Medicaid families (i.e., those selected because they have more than $1,500 in earned income) exceeding that for the low-income controls. Moreoever, since the most populous states (i.e., those with the greatest representation in the CPS) are also, on balance, those with the more generous need and payment standards, this ordering is virtually assured.

Figure 1

Family Income for Single-Parent Medicaid Families Receiving AFDC Cash Assistance and for Non-Medicaid Poor and Near-Poor Single-Parent Families, 1979-1982



SOURCE: Authors' Tabulations from the March Current Population Survey

As noted above, mean incomes for the working Medicaid families exceed those for the "nonworking" Medicaid families by substantial amounts in every period. For instance, in 1980 the mean income was $8,118 for the working families and $3,633 for the nonworkers. These differences clearly indicate the successfulness of the efforts to divide the AFDC/Medicaid population into the higher-income targets of OBRA and the low-income families largely insulated from OBRA.

Figure 1 depicts a clear trend of declining real family incomes for all groups. While this trend was clearly a pre-OBRA development, it is apparent that OBRA accelerated that trend for the working Medicaid subpopulation.

Surprisingly, the 1981-82 recession did not cause a sharp drop in mean family income in the contrast group, despite a sharp increase in the national unemployment rate, from 7.5 percent to 9.2 percent. What would generate this result? Apparently, the 3.3 percent rise in nominal income for 1981-82 (see Table A-2), coupled with the falling rate of inflation, helped offset the effects of increased unemployment, resulting in only a slight decline in real family income. In addition, those families hit the hardest by the recession would tend to disappear from the low-income contrast group, shifting either into that portion of the poor/near-poor population having minimal work activity during the year or into one of the welfare assistance populations. Such an occurrence would keep mean family income from falling as far as it would otherwise.

The trends in relative family incomes (with 1979 equalling 100) are depicted in panel (b). These indices are useful for portraying incomes as a percentage of their 1979 levels. For example, in 1981 the index for mean family income for the working Medicaid population was 87 (i.e., 87 percent of

its 1979 level), while for the control group it stood at 90. By 1982, the index value for the working Medicaid poulation had fallen to 77 (or a 12 percent decline); but for the control group it fell only to 89 (about a 2 percent decline). Clearly, the decline in mean family income during the post-OBRA was substantially greater for the working Medicaid population than for the control group population.

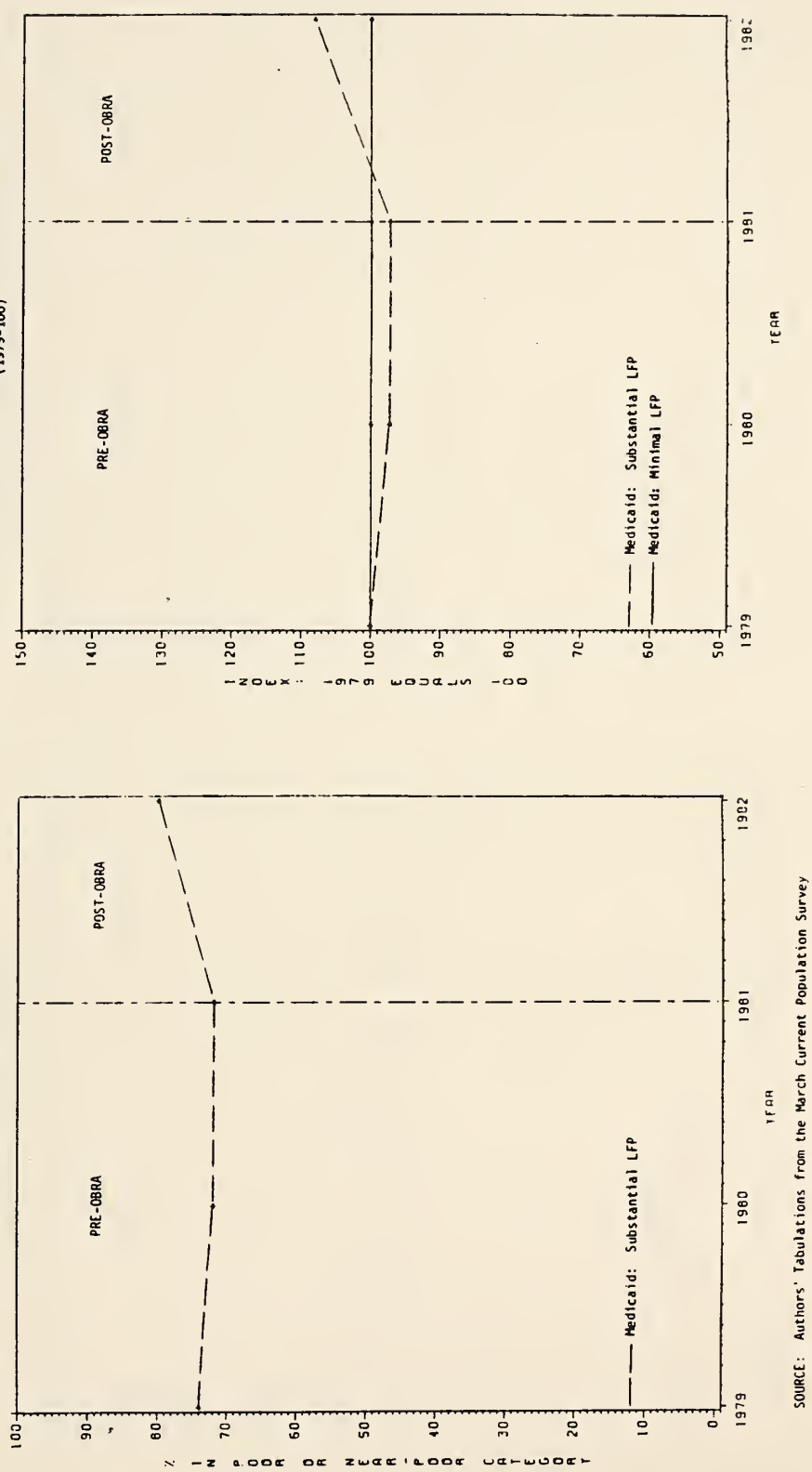
A somewhat different perspective on these family income patterns is provided by Figure 2, which concentrates on the extent of poverty or near-poverty in a subpopulation. The appearance of Figure 2 differs from that of Figure 1 in that the poverty patterns and trends are not depicted explicitly for all subgroups. The control group is not depicted since, by definition, 100 percent of that subpopulation is in the poor/near-poor category every year. In addition, the proportions for the nonworking Medicaid subgroup are not shown in panel (b). Since these proportions stand at 99 percent for each year, a corresponding trend line would be virtually indistinguishable from the top line enclosing the figure.

Figure 2 shows that, prior to OBRA, only 72-74 percent of the working Medicaid population fell into the poor/near-poor category. In the post-OBRA period, this proportion jumped sharply to 80 percent (a statistically significant increase, at the 99 percent confidence level), reflecting the declines in this group's real family income observed in Figure 1. Again, this outcome is entirely consistent with the anticipated impacts of OBRA.

The patterns and trends for family earnings--the major component of total family income--are represented in Figure 3. Not depicted in this figure are the results for the nonworking Medicaid families. Mean annual

Figure 2

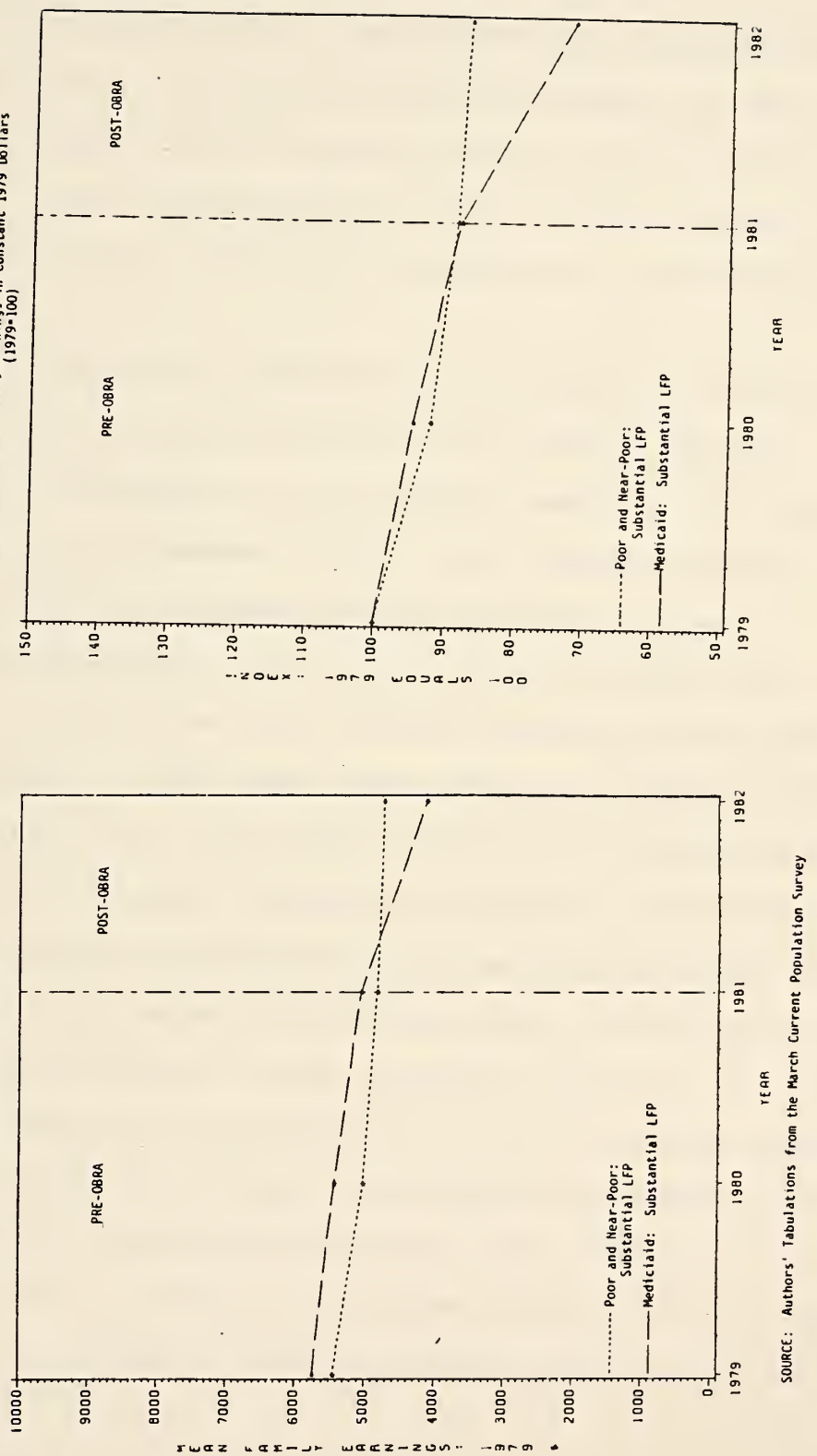
Poverty Status of Single-Parent Medicaid Families Receiving AFDC Cash Assistance, 1979-1982



SOURCE: Authors' Tabulations from the March Current Population Survey

Figure 3

Family Earnings for Single-Parent Medicaid Families Receiving AFDC Cash Assistance and for Non-Medicaid Poor and Near-Poor Single-Parent Families, 1979-1982



SOURCE: Authors' Tabulations from the March Current Population Survey

earnings (in constant 1979 dollars) ranged between $107 and $174 for this group, reflecting this subpopulation's marginal attachment to the work force. The small magnitude and limited variation associated with this variable render it less informative than the other variables (although, the interested reader can find the detailed estimates for this variable in Table A-2).

Mean family earnings for a subpopulation is the product of the group's employment rate and the earnings levels among those actually employed. The present discussion concentrates on the aggregate measure, that is, mean family earnings. In a subsequent section, this aggregate measure is decomposed and the patterns and trends of the components are analyzed.

The earnings patterns for the working Medicaid families and the low-income control families are quite similar, especially in the pre-OBRA period. For example, in 1979 mean family earnings for these two groups differed by only $290, with the working Medicaid group averaging $5,733 annually and the control group averaging $5,443 per year. Throughout the pre-OBRA period, both groups experienced declining real family earnings, much as they experienced with respect to real family income. The similarity in the earnings and income trends is not surprising, especially for the low-income contrast group: for working families in this income strata, about 90 percent of family income is earnings. Notably, during the pre-OBRA period the pattern of decline for these two groups was nearly identical; in fact, between 1979 and 1981 the relative decline was identical, with real 1981 earnings for both groups falling to 89 percent of their 1979 value (see panel (b) of Figure 3).

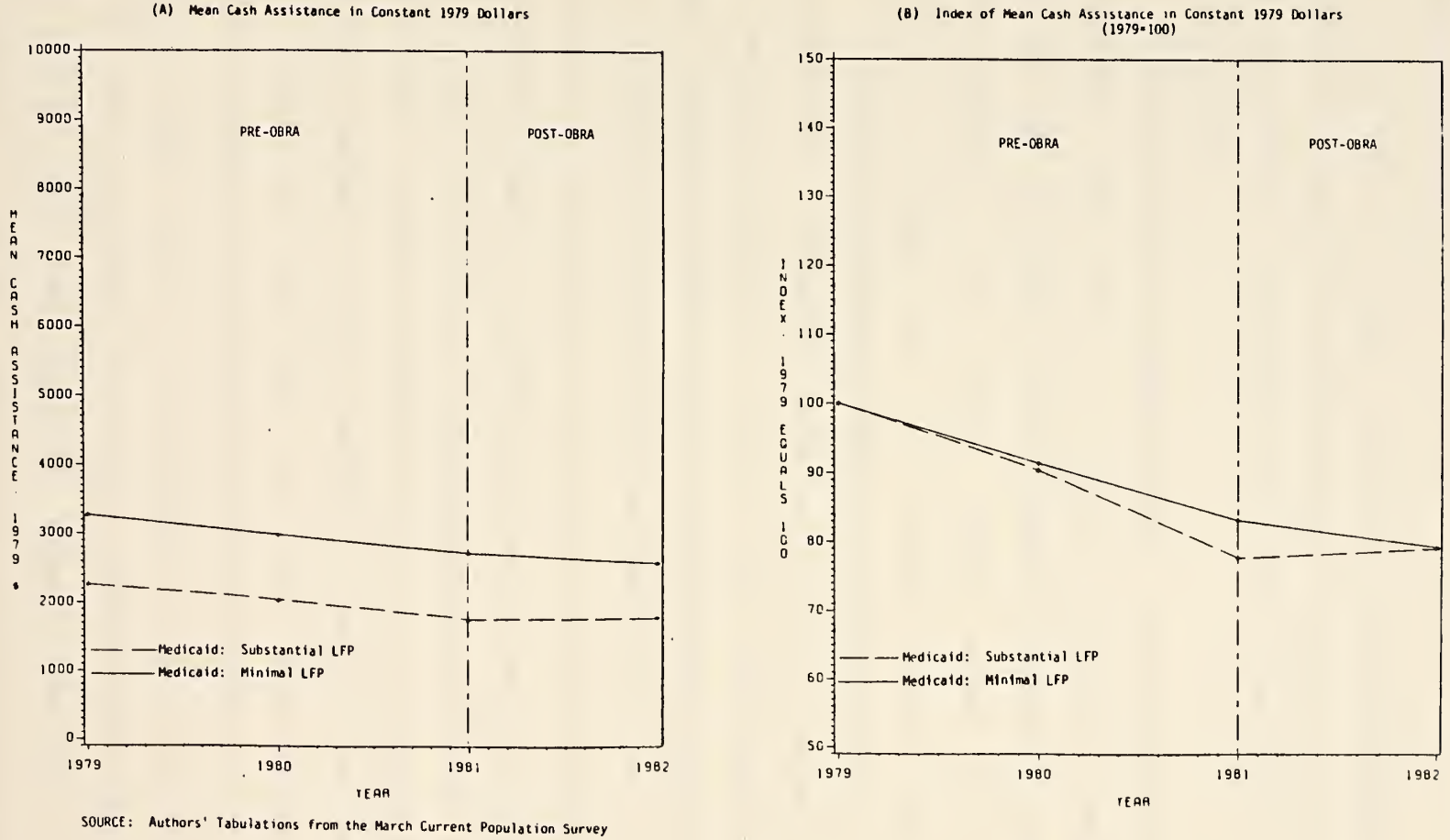
In the post-OBRA period, this decline in earnings accelerates for the working Medicaid families. To illustrate, during the pre-OBRA period real family earnings declined by about 6 percent per year for the working Medicaid population, whereas it dropped by 16 percent in the first post-OBRA year. In contrast, the pattern of declining earnings within the control-group population was quite different in that the rate of decline slowed, from around 6 percent in the pre-OBRA period to only around 2 percent in the post-OBRA period. The end result of these very different rates of decline is that, after OBRA, the control group of low-income families has higher mean earnings than the working Medicaid population ($4,745 as compared to $4,131).

The final component of family income considered here is AFDC cash assistance income (see Figure 4). Before discussing patterns and trends, it should be noted that there is no adequate control group for this variable. Obviously, the poor/near-poor population, which serves as a control in other analyses, cannot serve here since they have no cash assistance income. Moreoever, the characteristics of nonworking Medicaid families are not affected to the same degree by labor market forces (e.g., recessions) as are the characteristics of working Medicaid families. Accordingly, post-OBRA changes in mean cash assistance payments to the working Medicaid population will represent a combined effect of OBRA and the 1981-82 recession. Unfortunately, with no good control group available, it will not be possible to sort out the influence of OBRA from the influence of the recession.

The pattern of cash assistance payments depicted in Figure 4 is exactly what might have been expected. That is, real cash assistance income is substantially higher--typically by about 50 percent--for the nonworking AFDC/Medicaid families than for the working AFDC/Medicaid families.

Figure 4

Cash Assistance for Single-Parent Medicaid Families Receiving AFDC, 1979-1982



SOURCE: Authors' Tabulations from the March Current Population Survey

Obviously, as earned income rises, other things equal, AFDC cash assistance payments are designed to fall.

Figure 4 also makes it clear that between 1979 and 1982, mean cash assistance income (in constant 1979 dollars) generally declined. This occurs because, over this period, most states increased AFDC payments more slowly than consumer prices rose.

The one seemingly anomolous result in Figure 4 is the slight increase in cash assistance income among the working AFDC/Medicaid families, particularly since some of the OBRA rules were explicitly designed to reduce cash assistance payments to such families. However, several other forces were also working to increase mean cash assistance payments for this subpopulation of working AFDC/Medicaid families. First, the families with the higher earnings and consequently lower cash assistance payments would have lost their Medicaid eligibility as a result of OBRA. This would tend to raise mean cash assistance payments within the working Medicaid population. In addition, some workers may have voluntarily cut back on their work effort, either to preserve their AFDC/Medicaid eligibility, or simply in response to the work disincentives stemming from OBRA (e.g., once the earnings disregard is lost, workers give up one dollar of cash assistance benefits for every extra dollar they earn: a clear disincentive to work). Such responses would raise mean assistance payments. Finally, the 1981-82 recession caused people to lose jobs or perhaps work reduced hours. As a result, some families with earnings at some time during the year would qualify for substantial AFDC cash assistance payments since they had no earnings, or substantially reduced earnings, at the time eligibility was gained. Obviously, this influence would greatly inflate mean cash assistance payments for the working AFDC/Medicaid population. In all likelihood, the unemployed coming into

AFDC/Medicaid represented the strongest source of upward pressure on the mean value for cash assistance payments.

The principal findings from the foregoing analysis of OBRA's impacts on the income characteristics of the AFDC/Medicaid population are the following:

- OBRA significantly reduced the income and earnings of AFDC-eligible Medicaid families; and
- These OBRA-induced reductions in income and earnings were highly concentrated among the working poor on Medicaid, while those Medicaid families with weak attachments to the labor force went largely unaffected.

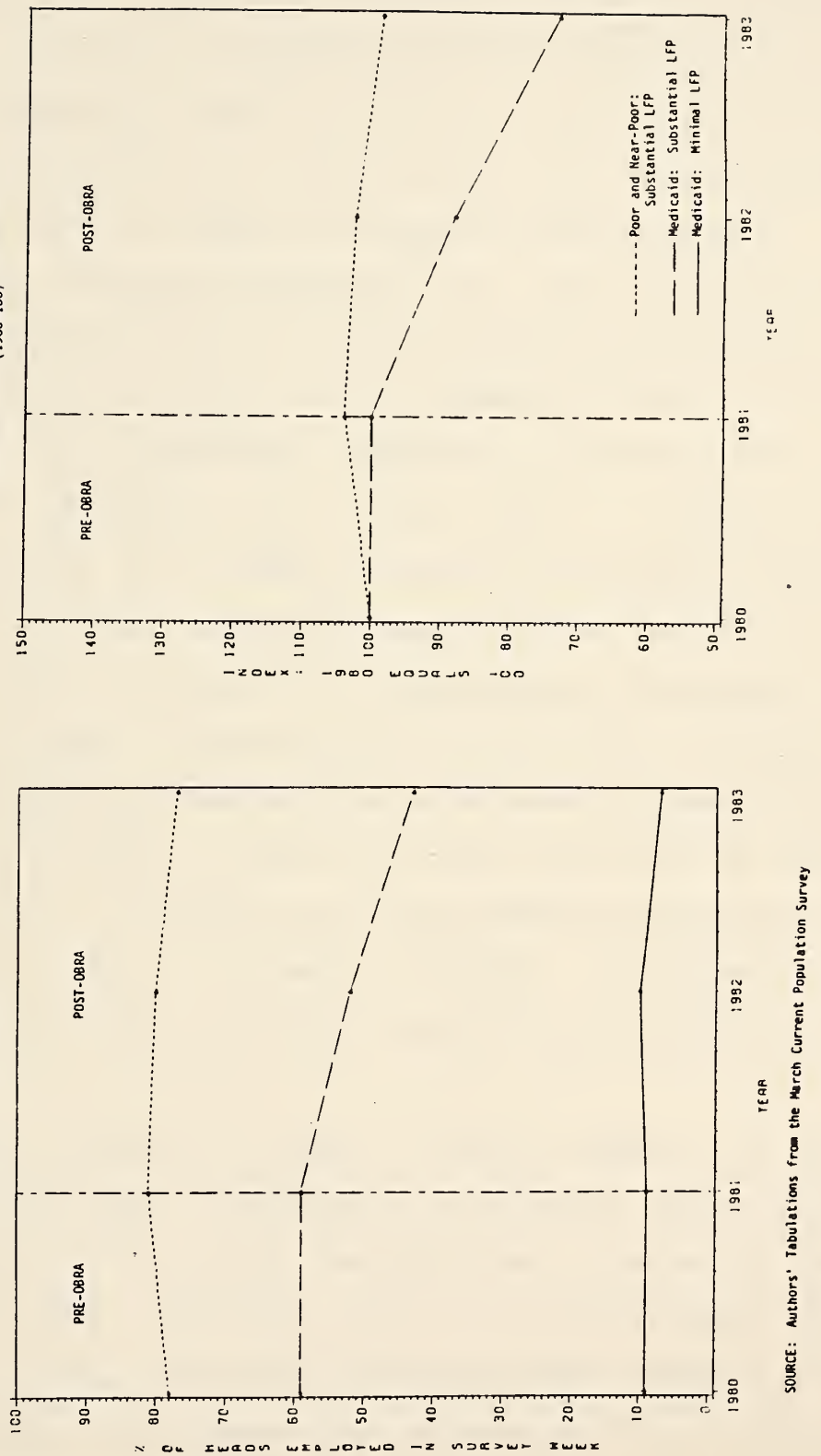
Employment Characteristics--

In this section, the influence of OBRA on the employment characteristics of the AFDC/Medicaid population is analyzed, with the principal findings being depicted in Figures 5 through 7. The focus in this section shifts, from the level of the family (or the case) to the level of the individual, specifically the family heads. Since the specific subpopulation under consideration here consists of single-parent families, nearly all of the heads are females. In the AFDC/Medicaid population, 98-99 percent of the heads of single-parent families are female. In the low-income control population, approximately 91-92 percent of single-parent families are headed by a female.

The first set of findings related to the employment characteristics of family heads is presented in Figure 5. This figure portrays, for the 1979-82 period, the patterns and trends for the ratio of the number of employed persons in a subpopulation to the total number of persons in that subpopulation (i.e., the employment-to-population ratio, hereafter referred

Figure 5

Employment Rates of Heads in Single-Parent Medicaid Families Receiving AFDC Cash Assistance or in Non-Medicaid Poor and Near-Poor Single-Parent Families, 1980-1983



SOURCE: Authors' Tabulations from the March Current Population Survey

to as "employment rate," simply for expository convenience). It must be emphasized that this measure of employment differs from another, more widely used measure of employment, namely, the ratio of the number of employed persons in the subpopulation to the number of persons from the subpopulation who are in the labor force (or, simply, one minus the unemployment rate).

Why use the employment-to-population ratio rather than the more conventional employment-to-labor-force ratio? The purpose of this particular analysis is to assess the impact of OBRA on employment behavior in certain subpopulations. The conventional employment rate measure will not necessarily provide an accurate picture of those impacts. To illustrate the nature of the problem, if the number of employed persons remains constant while the number of labor force participants increases, the conventional employment rate measure would fall. So, this employment rate changes even though the actual number of employed persons remains stable. In contrast, the employment-to-population ratio would not be affected by a change of this sort. As a further example, if people are actually losing jobs, but people are also dropping out of the labor force, the conventional employment rate measure may fall, rise, or remain unchanged. In contrast, the employment-to-population ratio would fall (provided the population base remains stable).

The information conveyed by Figure 5 differs somewhat from that conveyed by the other figures. Specifically, the employment rates portrayed in Figure 5 pertain to the survey week rather than to the calendar year preceding the survey week. Accordingly, there are two post-OBRA observations for this variable (i.e., for March 1982 and March 1983), rather than the single observation--for the calendar year 1982--available for the other variables considered in this study.

During the pre-OBRA period (including both March 1980 and March 1981), the employment rates for all groups were very stable and followed patterns consistent with expectations about the employment behavior of the various groups. The survey-week employment rates for the heads of the low-income control families were highest, ranging from 78 to 81 percent. For the heads of the working Medicaid families, the employment rate was 59 percent in both pre-OBRA survey months. The rate for the nonworking Medicaid families was also the same for both periods, namely, 9 percent.

In the post-OBRA period, the employment rates for heads of the low-income control families and for the heads of the nonworking Medicaid families declined slightly. By March 1983, the employment rate for the control-group families fell to 77 percent, while the rate for the nonworking Medicaid families fell to 7 percent. In contrast, among the working Medicaid families, the employment rate fell sharply, from 59 to 52 percent between March 1981 and March 1982, and from 52 percent to 43 percent between March 1982 and March 1983.

Before proceeding to interpret these results, it will prove useful to consider explicitly whether the low-income contrast group provides an adequate control for the effects of the 1981-1982 economic recession. To illustrate the source of the concern, between March 1981 and March 1982, the national unemployment rate shot up by 25 percent, from 7.1 to 9.0 percent of the labor force (Bureau of Labor Statistics, various issues). Yet, this significant deterioration in aggregate economic activity seems to have had little, or no, influence on the employment patterns among the low-income contrast group. Why is this the case? There are two related explanations.

First, the unemployment rate for the subpopulation relevant to this study--namely, adult females--was less affected by the recession than was the unemployment rate for the entire labor force. For females 20 years of age or older, the unemployment rate rose between March 1981 and March 1982 by about 19 percent, from 6.6 percent to 7.9 percent. Thus, the impact of the recession on the employment opportunities for low-income female heads was probably less than one would have expected, based upon movements in the aggregate unemployment rate. This reason, however, is not the principal explanation for the recession-period pattern observed in Figure 5.

The principal reason Figure 5 reveals no dramatic effect of the 1981-1982 recession arises from the relative stability in the employment-to-population ratio. To illustrate, while the unemployment rate for adult females increased by about 19 percent between March 1981 and March 1982 (from 6.6 percent to 7.9 percent), the employment-to-population ratio for this group changed by a mere 0.5 percent, from 48.6 percent to 48.4 percent. Thus, the volatility in the unemployment rate during this period arose mainly from the process of women entering the labor force and failing to find jobs, rather than from women who were previously employed actually losing jobs.

These observations clearly support the position that the employment patterns for the low-income contrast group provide reasonable controls for the influences of the recession. The pattern reflects declining employment opportunities for female heads of low-income families, and matches the decline in the employment-to-population ratio experienced by adult women generally.

Nevertheless, the Medicaid working population is subject to certain recession-related influences which cannot be controlled by tracking the employment behavior of the low-income contrast group. During a recession, the size of the AFDC/Medicaid population should be expected to grow as people lose jobs. Thus, as a recession generates newly unemployed enrollees, the employment-to-population ratio for the Medicaid population will tend to fall (i.e., the denominator of the ratio grows while the numerator either remains constant or perhaps falls, causing the value of the ratio to decline). The behavior of the low-income contrast group provides no control for this particular recession-related effect arising from a marginal change in the nature of the Medicaid population.

The best available control for this influence is the pre-OBRA employment behavior of the families in the Medicaid working subpopulations. Since the recession began prior to OBRA (e.g., between March 1980 and March 1981, the unemployment rate for adult females increased from 5.8 to 6.6 percent), these recession-related influences should be imbedded in the pre-OBRA employment-rate patterns for the Medicaid population.

Figure 5 reveals a stable employment rate (of 59 percent) for the Medicaid working population for the period from March 1980 to March 1981. While this stability seems paradoxical in light of the growing unemployment rate, it is entirely consistent with the contemperaneous trends in the employment-to-population ratio for the adult female population: this ratio was relatively stable over this period, equalling 48.1 percent in March 1980 and 48.6 in March 1981. Thus, the growing unemployment rate reflects an increase in job seeking, rather than an

actual decline in employment. The employment stability during this period is reflected perfectly by the constant employment rate for the Medicaid working subpopulation. This result suggests that the employment rate for the Medicaid working population would be largely unaffected by the recession, provided the overall employment-to-population ratio for adult females remained stable. From March 1981 to March 1982, this employment measure (for all adult females) fell slightly from 48.6 to 48.4 percent; by March 1983 it had fallen, again slightly, to 48.2 percent. These minor variations in this key variable seem to justify setting aside any concern over uncontrolled recessionary impacts on the employment rate of the Medicaid working population.

Based upon the experience of the low-income control group, one would have expected the employment rate for the heads of the working Medicaid families to have declined by perhaps 5 percent from March 1981 to March 1983, or from 59 percent to around 56 percent. Instead, the employment rate for this group fell by 27 percent, from 59 percent to 43 percent of the subpopulation.

Presumably, this sharp decline in employment rates is attributable largely to the effects of OBRA. As the OBRA eligibility changes dropped from the Medicaid rolls those families with higher earnings, the employment rate for the working subpopulation would have naturally declined. By way of illustration, consider a hypothetical subpopulation of 1 million working Medicaid families. With an initial (recession-adjusted) employment rate of 56 percent, 560,000 heads would have been employed. If OBRA resulted in, say, 100,000 of the higher-earning families being dropped from the Medicaid rolls, the

employment rate would have fallen, other things equal, to 51.1 percent (460,000 divided by 900,000). (As will be explained below, this particular effect--arising from families being dropped from the Medicaid rolls--can be observed only to a limited extent with CPS data.)

Of course, as noted above, OBRA reduced the incentive for Medicaid families to work. These work disincentives would further reduce the observed employment rate among the working Medicaid subpopulation. For example, if another 70,000 family heads quit working because of the diminished work incentives, the employment-to-population ratio would have declined further to 43.3 percent (390,000 divided by 900,000), provided other things remained equal.

In light of certain specific CPS definitions for key variables, the data are much more likely to reveal the latter effect (associated with reduced work effort among Medicaid enrollees) rather than the former (associated with persons leaving the Medicaid rolls). The Medicaid variable indicates whether a person was enrolled in Medicaid at any time during the year preceding the March survey. Accordingly, the Medicaid sample for any given year includes (1) those enrolled for the entire year, (2) those coming onto the rolls sometime during the calendar year (e.g., as a result of the recession), and (3) those leaving the rolls during the calendar year (e.g., because they were dropped as a result of OBRA). Thus, individuals dropped from the Medicaid rolls in, say, late 1981 would nevertheless appear in the March 1982 survey, indistinguishable from those who were enrolled continuously throughout 1981. In order to distinguish between these two groups, one would have to rely upon the March 1983 survey: individuals dropped from the Medicaid rolls in 1981 would appear

as nonenrollees for the calendar year 1982 (provided they remained off the rolls), whereas those enrolled for any part of 1982 would appear in the March 1983 as Medicaid enrollees for 1982.

In contrast to the Medicaid variable (which does not distinguish between full-year and part-year enrollees), the survey-week employment variable is measured with relative accuracy. That is, it provides a clear picture of employment patterns at the time of the survey, even though it reveals nothing about the employment patterns during other times of the year.

These observations suggest the following in connection with interpreting the employment patterns and trends depicted in Figure 5. Between March 1981 and March 1982, the employment rate for heads of working Medicaid families declined from 59 to 52 percent. Based upon the control group experience, the recession was responsible for perhaps 1 point of this 7 point decline. The remaining 6 points of the decline in employment rates would, therefore, be attributable to Medicaid family heads working less, or perhaps even quitting work. None of this decline--between March 1981 and March 1982--in this subpopulation's employment rate can be attributed to the OBRA-related reduction in the Medicaid rolls.

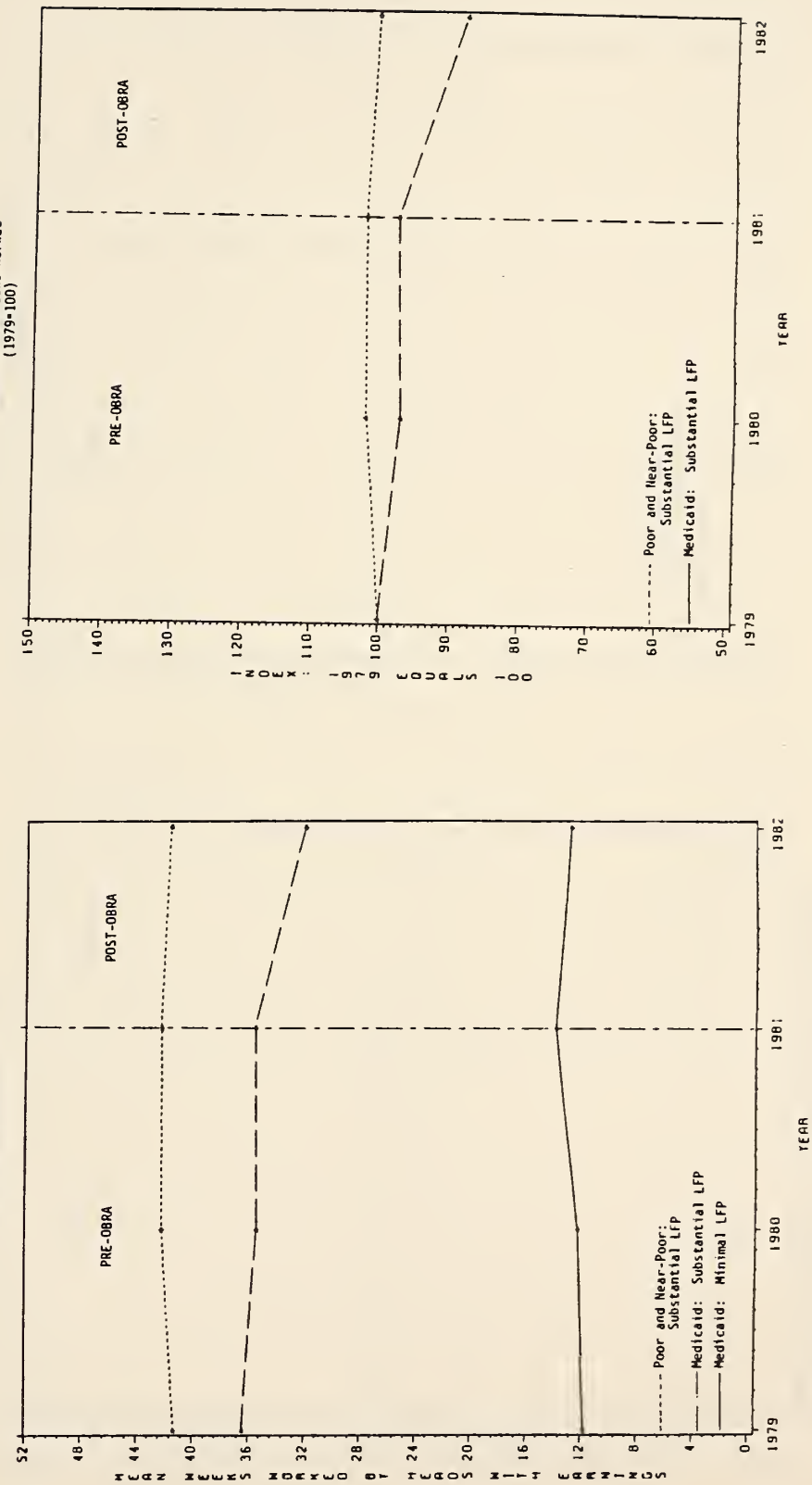
Between March 1982 and March 1983, the employment rate for heads of Medicaid working families declined further, from 52 to 43 percent. The control group experience suggests that the recession would have lowered the employment rate by about 2 points only, from 52 to 50 percent. The remaining 7 point decline was therefore presumably caused, in part, by further reductions in work effort and, in part, by some working families

moving out of the Medicaid population as a result of OBRA. It should be emphasized, however, that this latter effect appears in the data only for those dropped from the Medicaid rolls during 1981; those dropped during the early months of 1982 would remain in the CPS Medicaid population for the March 1983 survey.

The employment-related results reported in Figures 6 and 7--namely, for annual weeks worked by employed heads and for annual earnings of working heads, respectively--clearly support the inferences drawn in connection with the employment rate patterns and trends depicted in Figure 5. Both figures reflect the same thing: in the post-OBRA period work effort among heads of working Medicaid families declined significantly, with the decline far exceeding what might have been expected as a result of the control-group experience. To illustrate, between 1981 and 1982 annual weeks worked by employed heads declined by 9.8 percent (from 35.6 to 32.1 weeks) among working Medicaid families, whereas weeks worked fell by only 1.4 percent (from 42.3 to 41.7 weeks) among control-group families. Similarly, annual earnings of working heads (in constant 1979 dollars) dropped by 11.9 percent (from $4,066 in 1981 to $3,583 in 1982) in the working Medicaid subpopulation, but remained stable ($4,531 in 1981 versus $4,524 in 1982) for the control-group families. Both results support the notion that the work disincentives introduced by OBRA led to substantial declines in work effort among those in the working Medicaid population.

Figure 6

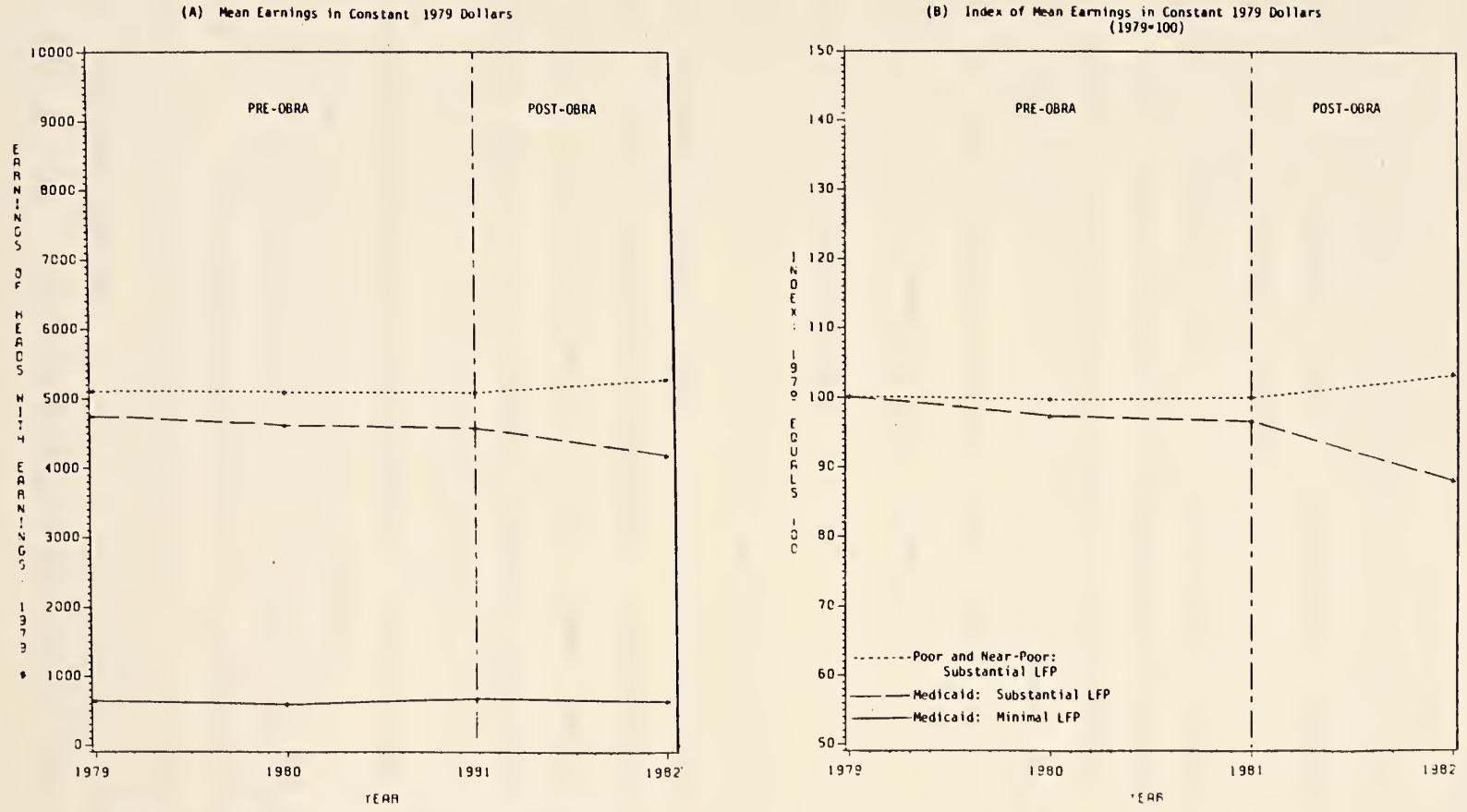
Weeks Worked by Employed Heads in Single-Parent Medicaid Families Receiving AFDC Cash Assistance or in Non-Medicaid Poor and Near-Poor Single-Parent Families, 1979-1982



SOURCE: Authors' Tabulations from the March Current Population Survey

Figure 7

Earnings of Working Heads in Single-Parent Medicaid Families Receiving AFDC Cash Assistance or in Non-Medicaid Poor and Near-Poor Single-Parent Families, 1979-1982



SOURCE: Authors' Tabulations from the March Current Population Survey

The results presented in this section can be summarized in the following way:

- OBRA changes, which threatened working families' eligibility for cash assistance and Medicaid, led to substantial voluntary reductions in work effort among these families.
- The employment-to-population ratio for working Medicaid families appears to have fallen by as much as 20 percent of its pre-OBRA level, as a result of these voluntary reductions in work effort.
- Even among those Medicaid recipients continuing to work, there appears to be some voluntary reduction in work effort (e.g., as measured by weeks worked), averaging about 10 percent.

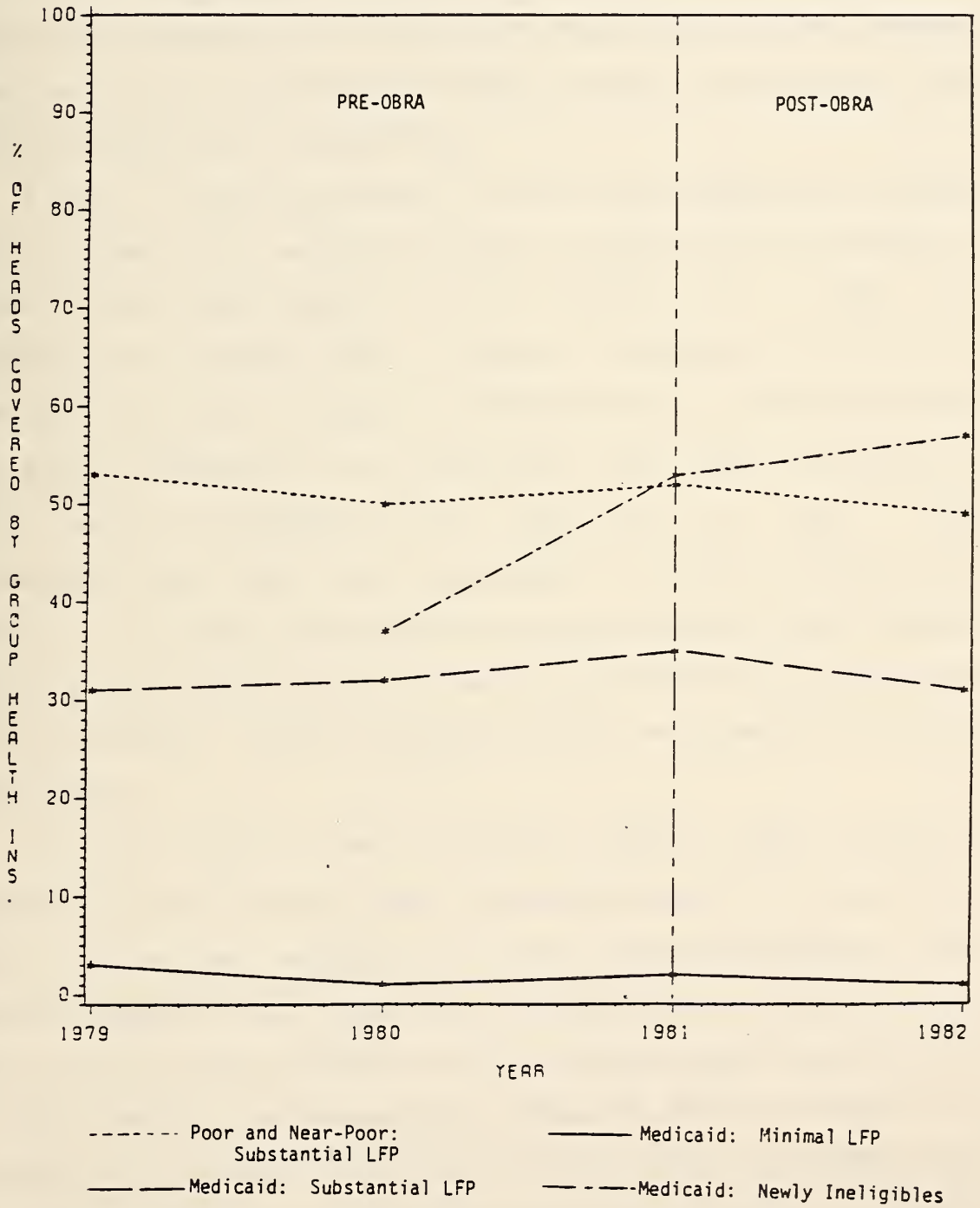
Health Insurance Coverage Characteristics--

The final set of findings to be considered here are those pertaining to private health insurance coverage rates. The fundamental question under consideration in this section is the following: as families were removed from the Medicaid rolls by OBRA, to what extent were they successful in replacing Medicaid with private, employment-based health insurance coverage? The focus is on group health insurance, due to a presumption that low-income families would generally find the cost of individual health insurance, acquired privately, to be prohibitive.

The health-insurance coverage patterns for the 1979-1982 period are portrayed in Figure 8. The coverage rates--that is, the percent of a subpopulation covered by group health insurance--range from 1 to 3 percent for the nonworking Medicaid families, from 31 to 35 percent for the working Medicaid families, and from 49 to 53 percent for the low-income contrast families.

Figure 8

Group Health Insurance Coverage Rates for Single-Parent Families: Medicaid Families Receiving AFDC Cash Assistance, Non-Medicaid Poor and Near-Poor Families and Newly Medicaid-Ineligible Families, 1979-1982



These results suggest that between one-third to one-half of the working families removed by OBRA from the AFDC/Medicaid rolls would have succeeded in replacing Medicaid with private group health insurance. This range is eatablished by taking the coverage rate for working Medicaid families as the lower-bound and the coverage rate for the low-income contrast families as the upper-bound.

Figure 8 contains additional evidence which suggests that the upper bound estimate (of about 50 percent coverage rates) best reflects the experience of those removed from the Medicaid rolls by OBRA. This evidence was developed from a special, although small (n= 194 for the entire time period), sample of CPS observations on individuals who were enrolled in Medicaid in an initial year (e.g., 1981), but who had lost their Medicaid eligibility by the next year (e.g., 1982). (These longitudinal data files were constructed by taking advantage of two facts: (1) nearly all CPS families are interviewed for two consecutive years, and (2) observations on the same families over the two years can be linked through a special programming routine; see Appendix B for further discussion.)

For this group of newly ineligible persons, Figure 8 reveals the extent of private group health insurance coverage for the second year, that is, the year following the loss of Medicaid eligibility. These results suggest that, prior to OBRA, the group health insurance coverage rates for the newly ineligible were only slightly higher than that for the working Medicaid families generally, namely, 38 percent as compared to 32 percent. In contrast, the observations for 1982, the post-OBRA period, reveals a much higher coverage rate for the newly ineligibly (56 percent)

than for the working Medicaid families (31 percent). In fact, this coverage rate for the newly ineligible group looks similar to the coverage rate for the low-income contrast group (49 percent in 1982).

This evidence leads to the following conclusion:

- Among those families rendered ineligible for Medicaid by OBRA, aproximately one-half of them were successful in replacing Medicaid with group health insurance, while the remaining one-half of these families were left with no health insurance coverage at all.

Suggestions for Further Research

Among the various findings reported in this study, there are two in particular that merit further investigation. The first suggestion for further research arises in connection with the finding that approximately one-half of those families rendered ineligible for Medicaid by OBRA were successful in replacing Medicaid with group health insurance, while the remaining one-half of these families were left with no health insurance coverage whatsoever. (In a forthcoming project report it will be shown that the effects of the OBRA eligibility changes on access to health care by the newly ineligible differ greatly, depending largely upon whether or not private insurance coverage is obtained.) This finding leads naturally to the following question, which was not addressed in the present study and has not been addressed in previous studies: what factors determine whether a working poor or near-poor family, newly ineligible for Medicaid, obtains group health insurance or not? Are there systematic differences--for instance, by race, sex of the household head, family structure, educational background--that lead workers in some families to obtain employment offering some form of group health insurance, while causing others to work in jobs not offering such fringe benefits? Findings from this investigation would permit policymakers to better understand whether OBRA (and similar future changes) distributed insurance losses evenly across major subgroups, or whether it concentrated them among particular types of former Medicaid recipients.

Special CPS data files, which contain observations linked across adjacent years ~~and which are available at Syracuse University~~, provide an

excellent opportunity for studying this issue further. These data files contain detailed demographic and economic information on individuals and their families (see Appendix B). In addition, they also permit identification of families who were enrolled in Medicaid in an initial year (e.g., in 1981) but who were ineligible in the subsequent year (e.g., in 1982). This rich source of data will permit a careful, multivariate analysis of the underlying sources of variation in group health insurance coverage among those newly ineligible for Medicaid.

The second suggestion for further research arises in connection with the finding that the work disincentive in OBRA led to reductions in work effort of 10-20 percent, depending upon which labor supply measure is used to quantify the effect. This finding will be a controversial one, especially since other studies (e.g., General Accounting Office, 1984; Research Triangle Institute, 1983) found no significant reductions in work effort as a result of OBRA. Accordingly, it is important to confirm the robustness of this finding with other approaches to the same question.

One potentially fruitful approach to this issue would be to investigate it within the context of traditional multivariate models of labor supply, and especially models of female labor supply, given the predominance of female-headed households in the AFDC/Medicaid population. The CPS data files, ~~available at Syracuse University,~~ offer an excellent source of individual-level data for estimating such multivariate models. The importance of such research extends well beyond its immediate application to evaluating OBRA changes. Policymakers have long been concerned about whether potential loss of Medicaid benefits represents an

extremely strong disincentive for AFDC recipients to work so much that they might become ineligible for both programs. (This is commonly referred to as the Medicaid "notch effect.") The OBRA changes represent an unusual natural experiment through which such behavior can be identified and quantified.

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Appendix A

Detailed Estimates of Income, Employment, and Group Health Insurance Patterns among Medicaid Families and Low-Income Control Families, 1979-1982

This appendix contains the detailed estimates of income, employment, and group health insurance patterns upon which the analysis in the text is based. Table A-1 presents information on the sample sizes for the various, narrowly defined, subpopulations. The detailed statistical estimates are reported in Tables A2-A13.

The income estimates are presented in Tables A2-A5. The employment results are shown in Tables A6-A9. The findings for group health insurance are contained in Tables A10-A13.

Table A-1

CPS Sample Sizes for Various Subpopulations, 1979-1982

Subpopulations	1979	1980	1981	1982
Single-Parent Families				
Medicaid nonworking families receiving AFDC	1,060	1,178	1,252	1,312
Medicaid working families receiving AFDC	526	478	438	335
Medicaid nonworking families not receiving AFDC	72	75	83	129
Medicaid working families not receiving AFDC	81	75	59	65
Low-income control families	914	939	928	911
Two-Parent Families				
Medicaid nonworking families receiving AFDC	126	155	125	183
Medicaid working families receiving AFDC	284	309	247	214
Medicaid nonworking families not receiving AFDC	20	21	27	28
Medicaid working families not receiving AFDC	125	102	111	112
Low-income control families	2,328	2,325	2,044	2,122

SOURCE: Authors' tabulations from the March Current Population Surveys, 1980-1983.

Table A-2

Income Measures for Single-Parent Medicaid Families Receiving AFDC Cash Assistance and for Non-Medicaid Poor and Near-Poor Single-Parent Families, 1979-1982

Family Type and Income Measure	Pre-OBRA 1979	Pre-OBRA 1980	OBRA 1981	Post-OBRA 1982
	Income measures in constant 1979 dollars (amount in parentheses in current dollars)			
Medicaid Families with Little or No Labor Force Participation				
Mean family income, all sources	3,909 (3,909)	3,633 (4,123)	3,278 (4,108)	3,098*** (4,120)
Mean family earnings	174 (174)	138 (156)	122 (153)	107*** (143)*
Mean cash assistance	3,267 (3,267)	2,986 (3,389)	2,718 (3,406)	2,587*** (3,441)***
Percent in poor or near-poor category	99	99	99	99
Medicaid Families with Substantial Labor Force Participation				
Mean family income, all sources	8,746 (8,746)	8,118 (9,213)	7,564 (9,477)	6,481*** (8,620)*
Mean family earnings	5,733 (5,733)	5,433 (6,166)	5,058 (6,338)	4,131*** (5,494)**
Mean cash assistance	2,259 (2,259)	2,041 (2,317)	1,756 (2,201)	1,785*** (2,375)
Percent in poor or near-poor category	74	72	72	80***
Low-Income Non-Medicaid Families with Substantial Labor Force Participation				
Mean family income, all sources	6,294 (6,294)	5,869 (6,661)	5,576 (6,987)	5,428*** (7,219)***
Mean family earnings	5,443 (5,443)	5,018 (5,695)	4,829 (6,051)	4,745*** (6,311)***
Percent in poor or near-poor category	100	100	100	100

*The 1982 entry is significantly different from the 1980 entry at the 90 percent level of confidence.

**The 1982 entry is significantly different from the 1980 entry at the 95 percent level of confidence.

***The 1982 entry is significantly different from the 1980 entry at the 99 percent level of confidence.

SOURCE: Authors' tabulations from the March Current Population Survey.

Table A-3

Income Measures for Two-Parent Medicaid Families Receiving AFDC Cash Assistance and for Non-Medicaid Poor and Near-Poor Two-Parent Families, 1979-1982

Family Type and Income Measure	Pre-OBRA 1979	Pre-OBRA 1980	OBRA 1981	Post-OBRA 1982
	Income measures in constant 1979 dollars (amount in parentheses in current dollars)			
Medicaid Families with Little or No Labor Force Participation				
Mean family income, all sources	5,623 (5,623)	5,611 (6,369)	5,648 (7,077)	5,217* (6,939)*
Mean family earnings	245 (245)	229 (260)	173 (216)	166** (221)
Mean cash assistance	4,095 (4,095)	3,960 (4,495)	4,014 (5,030)	3,773 (5,019)**
Percent in poor or near-poor category	99	95	96	96
Medicaid Families with Substantial Labor Force Participation				
Mean family income, all sources	13,254 (13,254)	12,306 (13,968)	11,383 (14,263)	9,412*** (12,518)**
Mean family earnings	9,915 (9,915)	9,065 (10,288)	8,370 (10,488)	6,685*** (8,392)***
Mean cash assistance	2,197 (2,197)	2,152 (2,442)	1,770 (2,218)	1,632*** (2,170)*
Percent in poor or near-poor category	53	52	54	70***
Low-Income Non-Medicaid Families with Substantial Labor Force Participation				
Mean family income, all sources	8,718 (8,718)	8,059 (9,147)	7,695 (9,642)	7,333*** (9,753)***
Mean family earnings	8,207 (8,207)	7,514 (8,529)	7,195 (9,015)	6,577*** (8,747)**
Percent in poor or near-poor category	100	100	100	100

*The 1982 entry is significantly different from the 1980 entry at the 90 percent level of confidence.

**The 1982 entry is significantly different from the 1980 entry at the 95 percent level of confidence.

***The 1982 entry is significantly different from the 1980 entry at the 99 percent level of confidence.

SOURCE: Authors' tabulations from the March Current Population Survey.

Table A-4

Income Measures for Single-Parent Medicaid Families Not Receiving AFDC Cash Assistance and for Non-Medicaid Poor and Near-Poor Single-Parent Families, 1979-1982

Family Type and Income Measure	Pre-OBRA 1979	Pre-OBRA 1980	OBRA 1981	Post-OBRA 1982
	Income measures in constant 1979 dollars (amount in parentheses in current dollars)			
Medicaid Families with Little or No Labor Force Participation[a]				
Mean family income, all sources				
Mean family earnings				
Percent in poor or near-poor category				
Medicaid Families with Substantial Labor Force Participation				
Mean family income, all sources	7,814 (7,814)	7,589 (8,614)	7,911 (9,912)	6,764 (8,996)
Mean family earnings	6,232 (6,232)	6,105 (6,929)	6,547 (8,203)	5,706 (7,589)
Percent in poor or near-poor category	74	79	64	79
Low-Income Non-Medicaid Families with Substantial Labor Force Participation				
Mean family income, all sources	6,294 (6,294)	5,869 (6,661)	5,576 (6,987)	5,428*** (7,219)***
Mean family earnings	5,443 (5,443)	5,018 (5,695)	4,829 (6,051)	4,745*** (6,311)***
Percent in poor or near-poor category	100	100	100	100

***The 1982 entry is significantly different from the 1980 entry at the 99 percent level of confidence.

[a]Means and proportions for this group were not reported because the sample size was too small to provide reliable estimates.

SOURCE: Authors' tabulations from the March Current Population Survey.

Table A-5

Income Measures for Two-Parent Medicaid Families Not Receiving AFDC Cash Assistance and for Non-Medicaid Poor and Near-Poor Two-Parent Families, 1979-1982

Family Type and Income Measure	Pre-OBRA 1979	Pre-OBRA 1980	OBRA 1981	Post-OBRA 1982
	Income measures in constant 1979 dollars (amount in parentheses in current dollars)			
Medicaid Families with Little or No Labor Force Participation[a]				
Mean family income, all sources				
Mean family earnings				
Percent in poor or near-poor category				
Medicaid Families with Substantial Labor Force Participation				
Mean family income, all sources	13,526 (13,526)	13,427 (15,240)	11,748 (14,721)	10,989** (14,615)
Mean family earnings	11,869 (11,869)	11,321 (12,850)	10,269 (12,867)	8,972** (11,932)
Percent in poor or near-poor category	58	49	51	66***
Low-Income Non-Medicaid Families with Substantial Labor Force Participation				
Mean family income, all sources	8,718 (8,718)	8,059 (9,147)	7,695 (9,642)	7,333*** (9,753)***
Mean family earnings	8,207 (8,207)	7,514 (8,529)	7,195 (9,015)	6,577*** (8,747)**
Percent in poor or near-poor category	100	100	100	100

**The 1982 entry is significantly different from the 1980 entry at the 95 percent level of confidence.

***The 1982 entry is significantly different from the 1980 entry at the 99 percent level of confidence.

[a]Means and proportions for this group were not reported because the sample size was too small to provide reliable estimates.

SOURCE: Authors' tabulations from the March Current Population Survey.

Table A-6

Employment Measures for Single-Parent Medicaid Families Receiving AFDC Cash Assistance and for Non-Medicaid Poor and Near-Poor Single-Parent Families, 1979-1982

Family Type and Employment Measure	Pre-OBRA 1979	Pre-OBRA 1980	OBRA 1981	Post-OBRA 1982
	Income measures in constant 1979 dollars (amount in parentheses in current dollars)			
Medicaid Families with Little or No Labor Force Participation				
Percent of heads with earnings	20	18	17	15**
Annual earnings of heads with earnings	637 (637)	542 (615)	598 (749)	546 (726)**
Mean weeks worked by heads with earnings	11.7	12.3	13.9	12.9
Percent of heads employed[a] (survey week)	9	9	10	7**
Percent of families with 2+ earners	8	7	5	5**
Annual earnings of the other earners	592 (592)	538 (611)	439 (550)	466 (620)
Medicaid Families with Substantial Labor Force Participation				
Percent of heads with earnings	84	84	87	86
Annual earnings of heads with earnings	4,738 (4,738)	4,264 (4,840)	4,066 (5,095)	3,583*** (4,765)
Mean weeks worked by heads with earnings	36.4	35.4	35.6	32.1***
Percent of heads employed[a] (survey week)	59	59	52	43***
Percent of families with 2+ earners	37	36	31	26***
Annual earnings of other earners	4,737 (4,737)	5,197 (5,898)	4,787 (5,998)	3,983** (5,298)

Table A-6 (cont.)

Family Type and Employment Measure	Pre-OBRA 1979	Pre-OBRA 1980	OBRA 1981	Post-OBRA 1982
	Income measures in constant 1979 dollars (amount in parentheses in current dollars)			
Low-Income Non-Medicaid Families with Substantial Labor Force Participation				
Percent of heads with earnings	97	96	97	97
Annual earnings of heads with earnings	5,098 (5,098)	4,700 (5,334)	4,531 (5,677)	4,524** (6,017)***
Mean weeks worked by heads with earnings	41.3	42.2	42.3	41.7
Percent of heads employed[a] (survey week)	78	81	80	77**
Percent of families with 2+ earners	22	19	20	20
Annual earnings of the other earners	2,331 (2,331)	2,698 (3,062)	2,240 (2,807)	1,693*** (2,251)***

**The 1982 entry is significantly different from the 1980 entry at the 95 percent level of confidence.

***The 1982 entry is significantly different from the 1980 entry at the 99 percent level of confidence.

[a]The March CPS asks questions both about current employment and about employment during the previous calendar year. While the entries in all other rows of this table are for the calendar year shown in the respective column heading, the entries in this row are for the survey week during March of the following year. For example, the entry in the 1979 column refers to the percent of heads employed in March 1980.

SOURCE: Authors' tabulations from the March Current Population Survey.

Table A-7

Employment Measures for Two-Parent Medicaid Families Receiving AFDC Cash Assistance and for Non-Medicaid Poor and Near-Poor Two-Parent Families, 1979-1982

Family Type and Employment Measure	Pre-OBRA 1979	Pre-OBRA 1980	OBRA 1981	Post-OBRA 1982
	Income measures in constant 1979 dollars (amount in parentheses in current dollars)			
Medicaid Families with Little or No Labor Force Participation				
Percent of heads with earnings	26	21	13	19
Annual earnings of heads with earnings	610 (610)	493 (559)	453 (568)	459 (610)
Mean weeks worked by heads with earnings	11.4	11.1	6.0	13.0
Percent of heads employed[a] (survey week)	13	12	7	9
Percent of families with 2+ earners	14	23	22	17*
Annual earnings of the other earners	603 (603)	559 (634)	499 (625)	477 (634)
Medicaid Families with Substantial Labor Force Participation				
Percent of heads with earnings	85	86	85	83
Annual earnings of heads with earnings	8,276 (8,276)	6,875 (7,803)	6,684 (8,375)	5,149*** (6,848)**
Mean weeks worked by heads with earnings	37.4	34.1	34.3	32.1
Percent of heads employed[a] (survey week)	58	56	54	51
Percent of families with 2+ earners	60	60	63	63
Annual earnings of other earners	4,831 (4,831)	5,332 (6,052)	4,164 (5,218)	3,826** (5,089)

Table A-7 (cont.)

Family Type and Employment Measure	Pre-OBRA 1979	Pre-OBRA 1980	OBRA 1981	Post-OBRA 1982
	Income measures in constant 1979 dollars (amount in parentheses in current dollars)			
Low-Income Non-Medicaid Families with Substantial Labor Force Participation				
Percent of heads with earnings	95	94	94	90***
Annual earnings of heads with earnings	6,892 (6,892)	6,314 (7,167)	5,949 (7,454)	5,393*** (7,173)
Mean weeks worked by heads with earnings	48.9	43.3	43.2	41.2***
Percent of heads employed[a] (survey week)	80	80	78	73***
Percent of families with 2+ earners	53	53	53	54
Annual earnings of the other earners	2,953 (2,953)	2,856 (3,242)	2,882 (3,611)	2,996 (3,984)***

*The 1982 entry is significantly different from the 1980 entry at the 90 percent level of confidence.

**The 1982 entry is significantly different from the 1980 entry at the 95 percent level of confidence.

***The 1982 entry is significantly different from the 1980 entry at the 99 percent level of confidence.

[a]The March CPS asks questions both about current employment and about employment during the previous calendar year. While the entries in all other rows of this table are for the calendar year shown in the respective column heading, the entries in this row are for the survey week during March of the following year. For example, the entry in the 1979 column refers to the percent of heads employed in March 1980.

SOURCE: Authors' tabulations from the March Current Population Survey.

Table A-8

Employment Measures for Single-Parent Medicaid Families Not Receiving AFDC Cash Assistance and for Non-Medicaid Poor and Near-Poor Single-Parent Families, 1979-1982

Family Type and Employment Measure	Pre-OBRA 1979	Pre-OBRA 1980	OBRA 1981	Post-OBRA 1982
	Income measures in constant 1979 dollars (amount in parentheses in current dollars)			
Medicaid Families with Little or No Labor Force Participation[b]				
Percent of heads with earnings				
Annual earnings of heads with earnings				
Mean weeks worked by heads with earnings				
Percent of heads employed[a] (survey week)				
Percent of families with 2+ earners				
Annual earnings of the other earners				
Medicaid Families with Substantial Labor Force Participation				
Percent of heads with earnings	93	88	81	92
Annual earnings of heads with earnings	5,472 (5,472)	5,150 (5,845)	5,763 (7,221)	4,835 (6,430)
Mean weeks worked by heads with earnings	38.1	40.6	44.0	41.6
Percent of heads employed[a] (survey week)	73	71	61	55**
Percent of families with 2+ earners	36	43	39	28**
Annual earnings of other earners	3,244 (3,244)	3,719 (4,221)	4,784 (5,994)	4,462 (5,934)

Table A-8 (cont.)

Family Type and Employment Measure	Pre-OBRA 1979	Pre-OBRA 1980	OBRA 1981	Post-OBRA 1982
	Income measures in constant 1979 dollars (amount in parentheses in current dollars)			
Low-Income Non-Medicaid Families with Substantial Labor Force Participation				
Percent of heads with earnings	97	96	97	97
Annual earnings of heads with earnings	5,098 (5,098)	4,700 (5,334)	4,531 (5,677)	4,524** (6,017)***
Mean weeks worked by heads with earnings	41.3	42.2	42.3	41.7
Percent of heads employed[a] (survey week)	78	81	80	77**
Percent of families with 2+ earners	22	19	20	20
Annual earnings of the other earners	2,331 (2,331)	2,698 (3,062)	2,240 (2,807)	1,693*** (2,251)***

**The 1982 entry is significantly different from the 1980 entry at the 95 percent level of confidence.

***The 1982 entry is significantly different from the 1980 entry at the 99 percent level of confidence.

[a]The March CPS asks questions both about current employment and about employment during the previous calendar year. While the entries in all other rows of this table are for the calendar year shown in the respective column heading, the entries in this row are for the survey week during March of the following year. For example, the entry in the 1979 column refers to the percent of heads employed in March 1980.

[b]Means and proportions for this group were not reported because the sample size was too small to provide reliable estimates.

SOURCE: Authors' tabulations from the March Current Population Survey.

Table A-9

Employment Measures for Two-Parent Medicaid Families Not Receiving AFDC Cash Assistance and for Non-Medicaid Poor and Near-Poor Two-Parent Families, 1979-1982

Family Type and Employment Measure	Pre-OBRA 1979	Pre-OBRA 1980	OBRA 1981	Post-OBRA 1982
	Income measures in constant 1979 dollars (amount in parentheses in current dollars)			
Medicaid Families with Little or No Labor Force Participation[b]				
Percent of heads with earnings				
Annual earnings of heads with earnings				
Mean weeks worked by heads with earnings				
Percent of heads employed[a] (survey week)				
Percent of families with 2+ earners				
Annual earnings of the other earners				
Medicaid Families with Substantial Labor Force Participation				
Percent of heads with earnings	88	81	89	83
Annual earnings of heads with earnings	9,394 (9,394)	9,056 (10,279)	8,374 (10,492)	6,655*** (8,851)
Mean weeks worked by heads with earnings	43.8	40.8	38.4	34.8***
Percent of heads employed[a] (survey week)	67	66	68	61
Percent of families with 2+ earners	59	67	62	67
Annual earnings of other earners	6,015 (6,015)	5,441 (6,176)	4,333 (5,430)	5,070 (6,743)

Table A-9 (cont.)

Family Type and Employment Measure	Pre-OBRA 1979	Pre-OBRA 1980	OBRA 1981	Post-OBRA 1982
	Income measures in constant 1979 dollars (amount in parentheses in current dollars)			
Low-Income Non-Medicaid Families with Substantial Labor Force Participation				
Percent of heads with earnings	95	94	94	90***
Annual earnings of heads with earnings	6,892 (6,892)	6,314 (7,167)	5,949 (7,454)	5,393*** (7,173)
Mean weeks worked by heads with earnings	48.9	43.3	43.2	41.2***
Percent of heads employed[a] (survey week)	80	80	78	73***
Percent of families with 2+ earners	53	53	53	54
Annual earnings of the other earners	2,953 (2,953)	2,856 (3,242)	2,882 (3,661)	2,996 (3,984)***

***The 1982 entry is significantly different from the 1980 entry at the 99 percent level of confidence.

[a]The March CPS asks questions both about current employment and about employment during the previous calendar year. While the entries in all other rows of this table are for the calendar year shown in the respective column heading, the entries in this row are for the survey week during March of the following year. For example, the entry in the 1979 column refers to the percent of heads employed in March 1980.

[b]Means and proportions for this group were not reported because the sample size was too small to provide reliable estimates.

SOURCE: Authors' tabulations from the March Current Population Survey.

Table A-10

Group Health Insurance Coverage Measures for Single-Parent Medicaid Families Receiving AFDC Cash Assistance and for Non-Medicaid Poor and Near-Poor Single-Parent Families, 1979-1982

Family Type and Group Health Insurance Measure	Pre-OBRA 1979	Pre-OBRA 1980	OBRA 1981	Post-OBRA 1982
	Measures in percent			
Medicaid Families with Little or No Labor Force Participation				
Family heads covered by group health insurance	3	1	2	1
Families with group coverage for both heads and other members	2	1	2	1
Families with group-policy premiums partially or fully paid by employers	1	1	1	1
Medicaid Families with Substantial Labor Force Participation				
Family heads covered by group health insurance	31	32	35	31
Families with group coverage for both heads and other members	22	21	22	20
Families with group-policy premiums partially or fully paid by employers	28	28	32	30
Low-Income Non-Medicaid Families with Substantial Labor Force Participation				
Family heads covered by group health insurance	53	50	52	49
Families with group coverage for both heads and other members	36	33	34	34
Families with group-policy premiums partially or fully paid by employers	45	45	47	44

SOURCE: Authors' tabulations from the March Current Population Survey.

Table A-11

Group Health Insurance Coverage Measures for Two-Parent Medicaid Families Receiving AFDC Cash Assistance and for Non-Medicaid Poor and Near-Poor Two-Parent Families, 1979-1982

Family Type and Group Health Insurance Measure	Pre-OBRA 1979	Pre-OBRA 1980	OBRA 1981	Post-OBRA 1982
		Measures in percent		
Medicaid Families with Little or No Labor Force Participation				
Family heads covered by group health insurance	5	4	4	2
Families with group coverage for both heads and other members	3	3	2	2
Families with group-policy premiums partially or fully paid by employers	5	3	4	2
Medicaid Families with Substantial Labor Force Participation				
Family heads covered by group health insurance	47	49	49	32***
Families with group coverage for both heads and other members	42	43	40	28***
Families with group-policy premiums partially or fully paid by employers	43	44	45	31***
Low-Income Non-Medicaid Families with Substantial Labor Force Participation				
Family heads covered by group health insurance	48	47	45	41***
Families with group coverage for both heads and other members	44	43	41	38***
Families with group-policy premiums partially or fully paid by employers	41	43	42	37***

***The 1982 entry is significantly different from the 1980 entry at the 99 percent level of confidence.

SOURCE: Authors' tabulations from the March Current Population Survey.

Table A-12

Group Health Insurance Coverage Measures for Single-Parent Medicaid Families Not Receiving AFDC Cash Assistance and for Non-Medicaid Poor and Near-Poor Single-Parent Families, 1979-1982

Family Type and Group Health Insurance Measure	Pre-OBRA 1979	Pre-OBRA 1980	OBRA 1981	Post-OBRA 1982
		Measures in percent		
Medicaid Families with Little or No Labor Force Participation[a]				
Family heads covered by group health insurance				
Families with group coverage for both heads and other members				
Families with group-policy premiums partially or fully paid by employers				
Medicaid Families with Substantial Labor Force Participation				
Family heads covered by group health insurance	32	24	26	34
Families with group coverage for both heads and other members	25	19	16	25
Families with group-policy premiums partially or fully paid by employers	29	24	20	34
Low-Income Non-Medicaid Families with Substantial Labor Force Participation				
Family heads covered by group health insurance	53	50	52	49
Families with group coverage for both heads and other members	36	33	34	34
Families with group-policy premiums partially or fully paid by employers	45	45	47	44

[a]Means and proportions for this group were not reported because the sample size was too small to provide reliable estimates.

SOURCE: Authors' tabulations from the March Current Population Survey.

Table A-13

Group Health Insurance Coverage Measures for Two-Parent Medicaid Families Not Receiving AFDC Cash Assistance and for Non-Medicaid Poor and Near-Poor Two-Parent Families, 1979-1982

Family Type and Group Health Insurance Measure	Pre-OBRA 1979	Pre-OBRA 1980	OBRA 1981	Post-OBRA 1982
		Measures in percent		
Medicaid Families with Little or No Labor Force Participation[a]				
Family heads covered by group health insurance				
Families with group coverage for both heads and other members				
Families with group-policy premiums partially or fully paid by employers				
Medicaid Families with Substantial Labor Force Participation				
Family heads covered by group health insurance	44	51	44	27***
Families with group coverage for both heads and other members	41	48	42	22***
Families with group-policy premiums partially or fully paid by employers	36	48	43	24***
Low-Income Non-Medicaid Families with Substantial Labor Force Participation				
Family heads covered by group health insurance	48	47	45	41***
Families with group coverage for both heads and other members	44	43	41	38***
Families with group-policy premiums partially or fully paid by employers	41	43	42	37***

***The 1982 entry is significantly different from the 1980 entry at the 99 percent level of confidence.

[a]Means and proportions for this group were not reported because the sample size was too small to provide reliable estimates.

SOURCE: Authors' tabulations from the March Current Population Survey.

Appendix B

Technical Description of the March Current Population Survey

The Current Population Survey (CPS) is a household sample survey conducted monthly by the Bureau of the Census for the Bureau of Labor Statistics, and it is the largest continuing intercensal survey of the U.S. population. It is the only source of monthly estimates of total employment and unemployment, occupation and industry of workers, number of workers classified by hours worked, earnings of workers, and, for those not in the labor force, past work experience and job search activities. The CPS is also a comprehensive source of information on the personal characteristics of the total population, including family structure and place of residence; demographic characteristics such as age, race, sex, and marital status; measures of health insurance coverage (both public and private); and participation in (and where applicable, income derived from) pubicly financed transfer programs incuding, though not limited to, Medicaid, AFDC, SSI, and Medicare.

All CPS files are structured hierarchically, each household record being followed by a variable number of family records, which are in turn followed by a variable number of person records. This allows data analysis at the household, family, or person level, depending on which unit is deemed appropriate for a particular research interest.

The March CPS, also known as the Annual Demographic File, contains all the data elements described above, plus supplemental data on work experience, income, and migration. Data contained in an annual demographic file covers the calendar year prior to the survey. Thus the

March 1980-1982 surveys used in the present study are inclusive of calendar years 1979-1982.

While sample sizes vary from year to year, the four March surveys used contain 73,195-80,468 household records, 64,593-70,871 family records, and 162,635-181,488 person records. Survey families and persons are given sample weights which allow estimates of characteristics of the total civilian nonstitutionalized population of the United States.

Half of the households (which in fact are addresses, not particular groups of persons) are sampled in two adjacent March CPS years, making the construction of two-year longitudinal files possible. While theoretically allowing for a 50 percent match rate, certain problems, notably migrations to and from households during the intervening year, limit the match rate to about 70 percent of the persons appearing in resampled households. The resulting two-year longitudinal files that are approximately one third (.70 x .50) the size of either of the March CPS files used for the match. (For a complete description of the construction and use of matched CPS data files, see U.S. Department of Labor, Bureau of Labor Statistics, "Using the Current Population Survey as a Longitudinal Data Base", August 1980, Report 608). Three such two-year files were constructed, covering the periods 1979-1980, 1980-1981, and 1981-1982. Analysis of these files permits observations of changes experienced by the same persons across pairs of years.

Appendix C

Medicaid Eligibility Determination Processes before and after OBRA

by Pamela Walker

The flow charts presented in this appendix depict selected Medicaid eligibility determination processes before and after OBRA. The descriptions presented are general ones. Since States often have numerous options in structuring their individual programs, they may not depict the actual eligibility determination processes for any specific State.

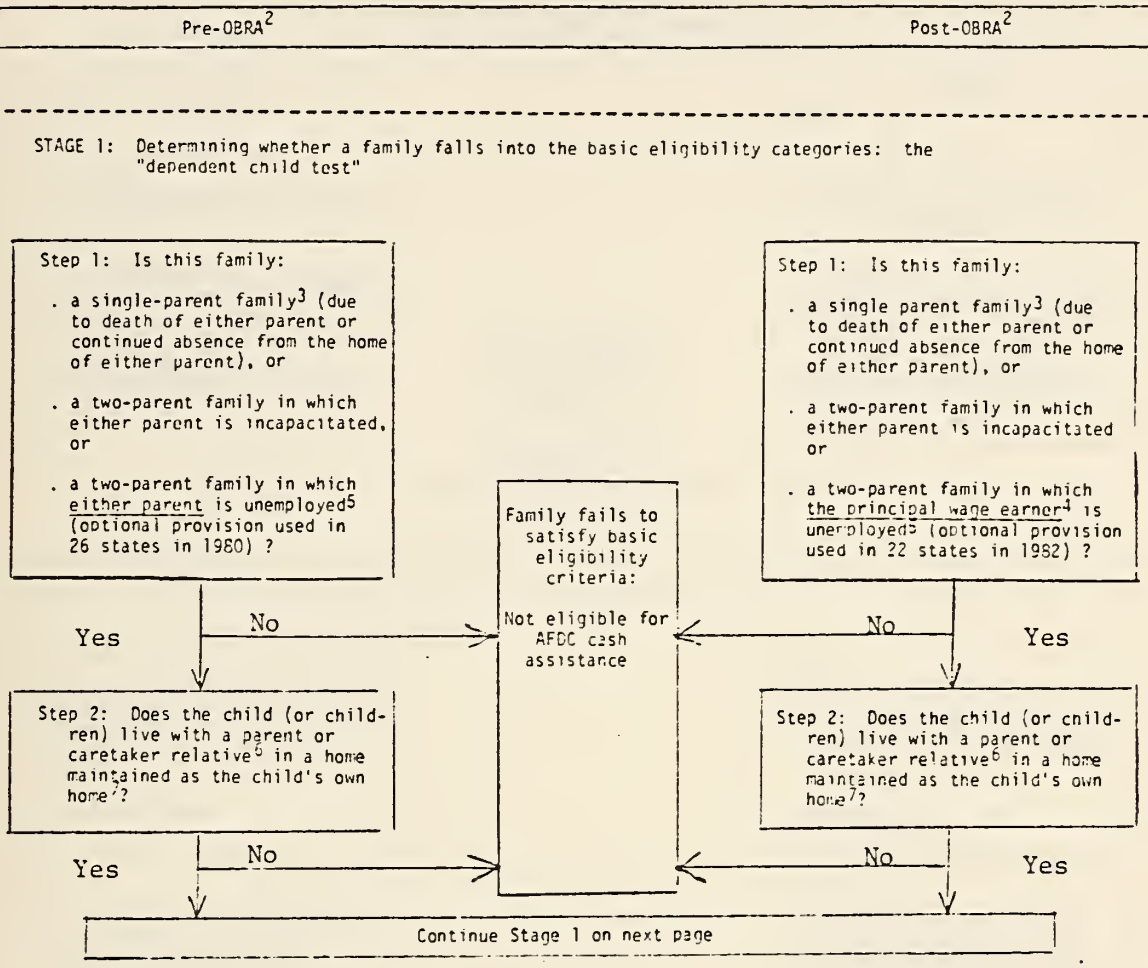
These flow charts reflect all the important steps in the Medicaid eligibility determination processes, not just those altered by OBRA. In order to highlight the OBRA changes, the altered provisions are underlined.

This appendix is organized in the following way:

- Figure C-1: The Process for determining eligibility for AFDC cash assistance, pre and post OBRA;
- Figure C-2: Calculation of countable income for AFDC eligibility determination;
- Figure C-3: Medicaid eligibility determination process for AFDC-related families and children; and
- Figure C-4: Medically Needy eligibility determination process.

Figure C-1

The Process for Determining Eligibility for AFDC Cash Assistance Before and After OBRA[1]



NOTES:

[1] This figure provides a general description of the eligibility determination process for Aid to Families with Dependent Children (Title IV-A of the Social Security Act); but because of the many program options available to states, it does not depict the actual eligibility or payment determination for any specific state.

[2] Underlining denotes revisions in AFDC eligibility determination made by the Omnibus Reconciliation Act of 1981. The post-OBRA column represents the determination process in effect October 1981. It does not include changes enacted after this date. When references are made in this document to numbers of states which have adopted various program options, "states" refers to the 50 states and the District of Columbia.

[3] The determination of whether a child is in a single-parent family is based on consideration of the child's natural or adoptive parent, or a stepparent who is married to the child's natural or adoptive parent and is legally obligated to support the child. The presence in the home of a "substitute parent" or a "man-in-the-house" is not an acceptable basis for determining the child to be ineligible.

[4] The principal wage earner is whichever parent, in a home in which both parents of a child are living, earned the greater amount of income in the 24-month period preceding application for aid.

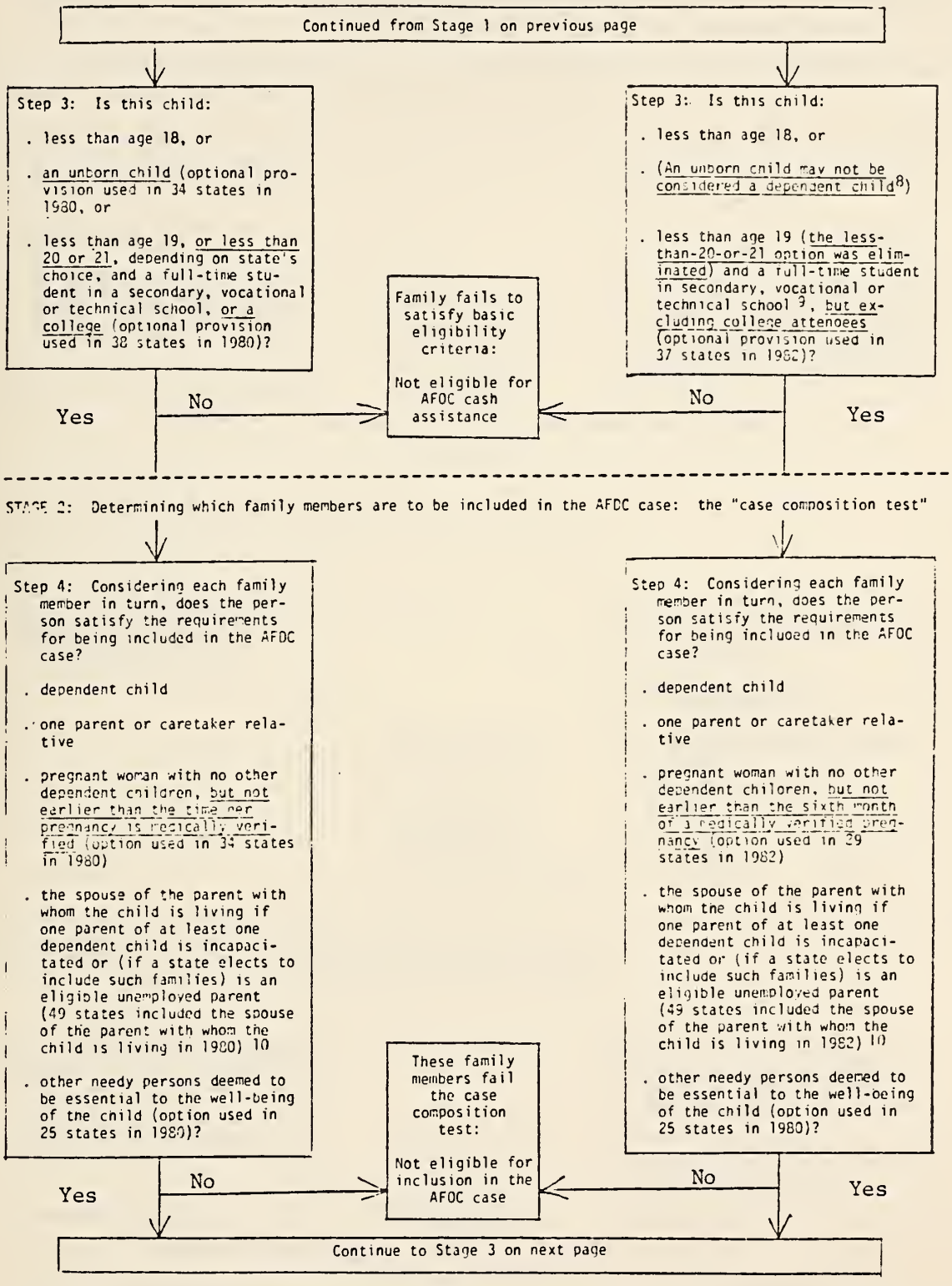
[5] To qualify as unemployed, an individual must have been employed fewer than 100 hours a month. Hours of employment may exceed this number if work was intermittent and the excess was of a temporary nature.

[6] "Caretaker relatives" with whom a child may be living are: mother, father, grandmother, grandfather, sister, brother, stepmother, stepfather, stepsister, stepbrother, aunt, uncle, first cousin, niece, and nephew. Relatives with whom a child may be living "as interpreted" by federal regulation include, in addition to the people already mentioned, persons of preceding generations as denoted by prefixes of grand, great, or great-great, persons who legally adopt children, and spouses of any of these persons even if the marriage is terminated by death or divorce.

[7] A child may also live in a foster family home or a private child care institution.

Pre-OBRA

Post-OBRA



NOTES:

[8] Although an unborn child does not qualify as a dependent child, a pregnant woman with no other dependent children is nonetheless eligible under some circumstances. See Stage 2, "The Case Composition Test."

[9] The student must reasonably be expected to complete the program of study before reaching the age of nineteen or during the month of his or her nineteenth birthday.

[10] In 1980, 26 of these 49 states included an eligible unemployed parent in the case. In 1982, 22 of these 48 states included an eligible unemployed parent in the case.

Pre-OBRA

Post-OBRA

Continued from Stage 2 on previous page

STAGE 3: Determining whether the case satisfies the state's resource or asset test

Step 5: Is the value of the resources (or assets) available to the case:

. less than $2,000 (or lower at state discretion),

. excluding the value of a home, automobile (at state option), personal affects, and income-producing property?

Yes

No

Step 5: Is the value of the resources (or assets) available to the case:

. less than $1,000 (or lower at state discretion),

. excluding the value of a home, automobile (limited to $1,500 equity value), personal affects, and income-producing property which is used for self-employment?

No

Yes

The case fails the asset test:

Not eligible for AFDC cash assistance

STAGE 4: Determining whether the case satisfies the total income test

Step 6: (Not applicable to the pre-OBRA period as no limit was imposed on the case's total income.)

Yes

Step 6: Is total case income less than 150 percent of the state's need standard? 11,12

Total income includes:
. earned income
. all other cash income
. in-kind assistance (in some states)

(For additional detail, see Figure C-2.)

No

Yes

The case fails the total income test:

Not eligible for AFDC cash assistance

STAGE 5: Determining whether the case meets the state's need standard

Step 7: Does the countable income for the case fall below the applicable need standard? 11,12

(See Figure C-2 for details on the definition of countable income.)

Yes

No

Step 7: Does total case income, less work expenses and child care expenses, fall below the applicable need standard? 11,12

(For a discussion of the details of the post-OBRA procedure for calculating total case income, see Figure C-2.)

No

Yes

The case fails the need test:

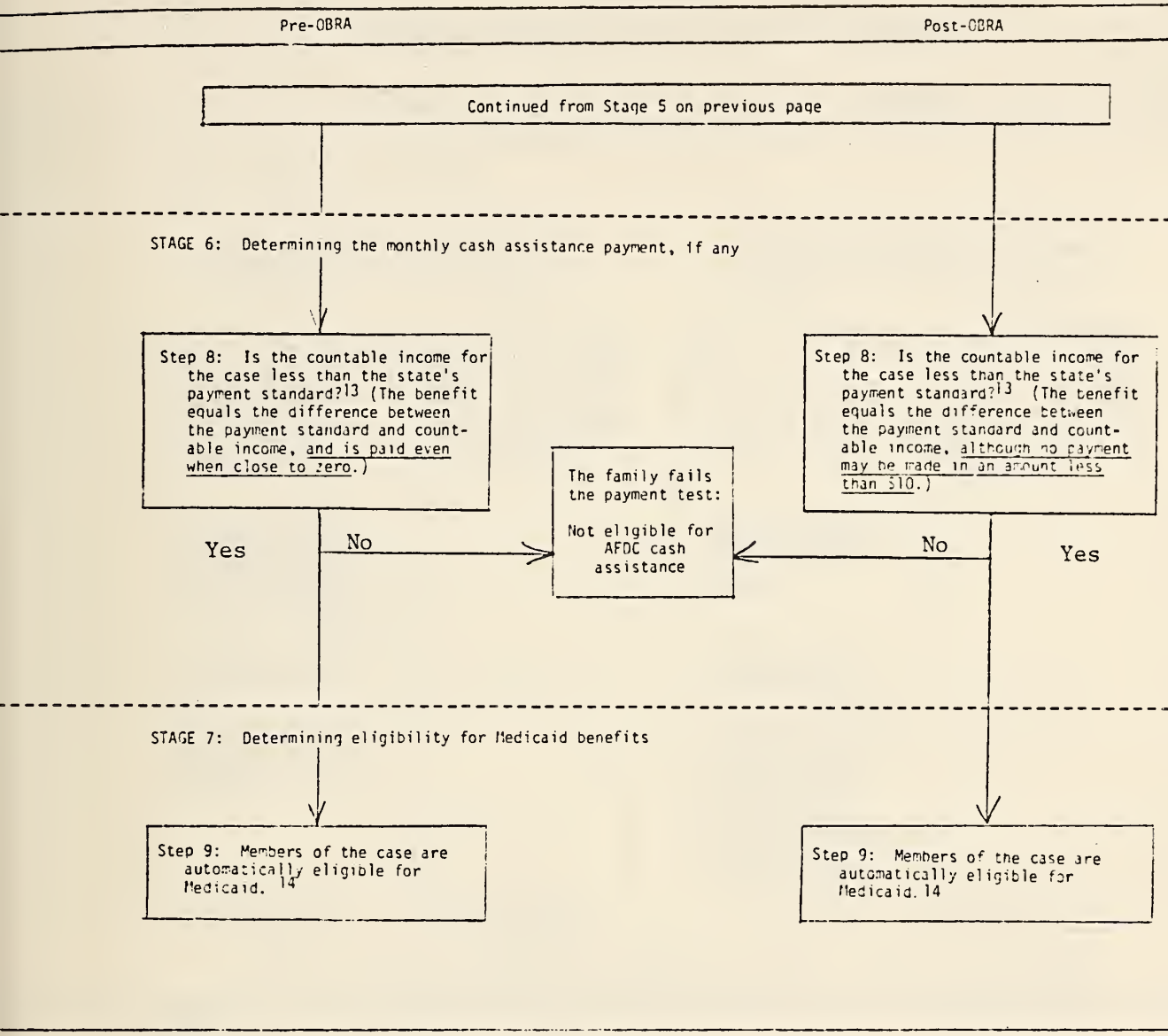
Not eligible for AFDC cash assistance

Continue to Stage 6 on next page

NOTES:

11 In determining need, states must take into account the income and resources of any child or relative claiming AFDC, or any individual living in the household with the child and relative who is considered to be essential to the well-being of the child.

12 The need standard is a statewide standard, expressed in money amounts, which is used in determining the need of applicants and recipients.



NOTES:

[13] There is no requirement that a state pay the full amount of need as determined by the difference between the need standard and countable income. The payment standard may be determined by applying a percentage or "ratable" reduction to the need standard, or to the difference between countable income and the need standard. Payments determined in this manner may be further limited by imposing a maximum on the assistance payment to a family of a given size. (45 C.F.R. 233.20 (2) (1983))

[14] With the exception of Arizona which had no Medicaid program.

SOURCES:

42 C.F.R. §§ 435.1-435.1011 (1983)

42 C.F.R. §§ 233.10-233.217 (1983)

42 U.S.C.S. §§ 601-607 (Law. Coop. 1973)

42 U.S.C.S. §§ 601-607 (Law. Coop. 1984)

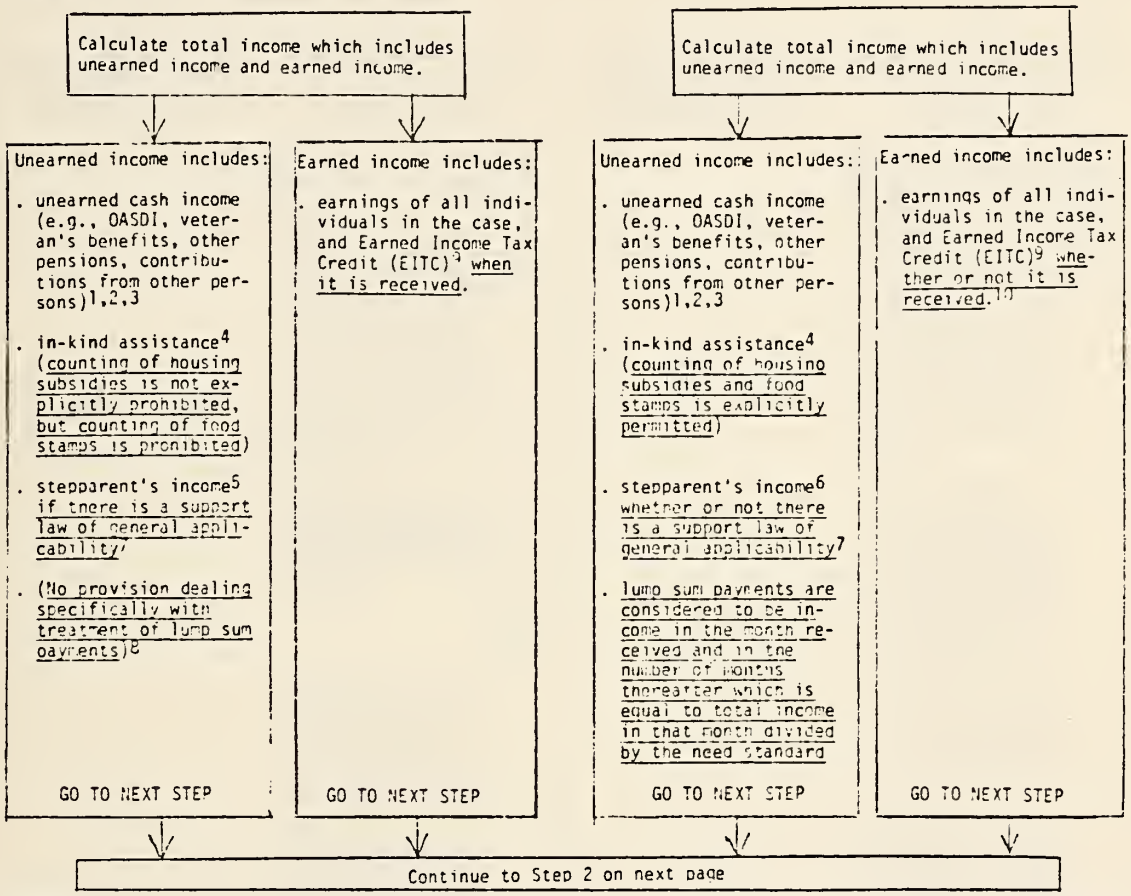
Clinkscale, R., et al.: "Analysis of State Medicaid Program Characteristics, 1982. Contract No. 500-81-0040, Office of Research and Demonstration, Health Care Financing Administration. Rockville, Maryland, La Jolla Management Corporation, 1982.

Personal communication with Wilbur A. Weder, Division of Research, Evaluation, and Statistics, Office of Policy and Evaluation, Office of Family Assistance, Social Security Administration, September 1984.

U.S., Department of Health and Human Services, Social Security Administration, Office of Family Assistance, Research Tables Based on Characteristics of State Plans for Aid to Families with Dependent Children: Eligibility, Assistance, Administration, 1981, 1982, and 1983 editions, SSA Pub. No. 80-03005.

Figure C-2

Calculation of Countable Income for AFDC Eligibility Determination[1]



NOTES:

[1] This figure provides a general description of the calculation of countable income, but does not depict the actual procedure for any specific state. Underlining in this figure denotes revisions in the process for calculating countable income made by the Omnibus Reconciliation Act of 1981.

[2] The applicant or recipient is required to apply for all possible sources of income for which he or she may be eligible (e.g., annuities, pensions, workmen's compensation).

[3] Unemployment compensation received by a principal wage earner is subtracted from the AFDC assistance payment after the payment has been determined, and is not included in the calculation of total income.

[4] A person receiving Supplemental Security Income (SSI) cannot be counted as a member of the AFDC case, and his or her income cannot be counted as available to the case.

[5] Most states ignore all forms of in-kind assistance (which can include anything from housing subsidies to the donation of a refrigerator). For example, in 1982, although OBRA explicitly permitted counting of housing subsidies and food stamps, no states counted food stamps and only Oregon counted housing subsidies.

[6] Pre-OBRA, stepparent's income was considered a potential source of income for intact families only (that is, families with an unemployed parent, or families in which one parent was incapacitated).

[7] Certain deductions are subtracted from the stepparent's income before it is added to the income of the case.

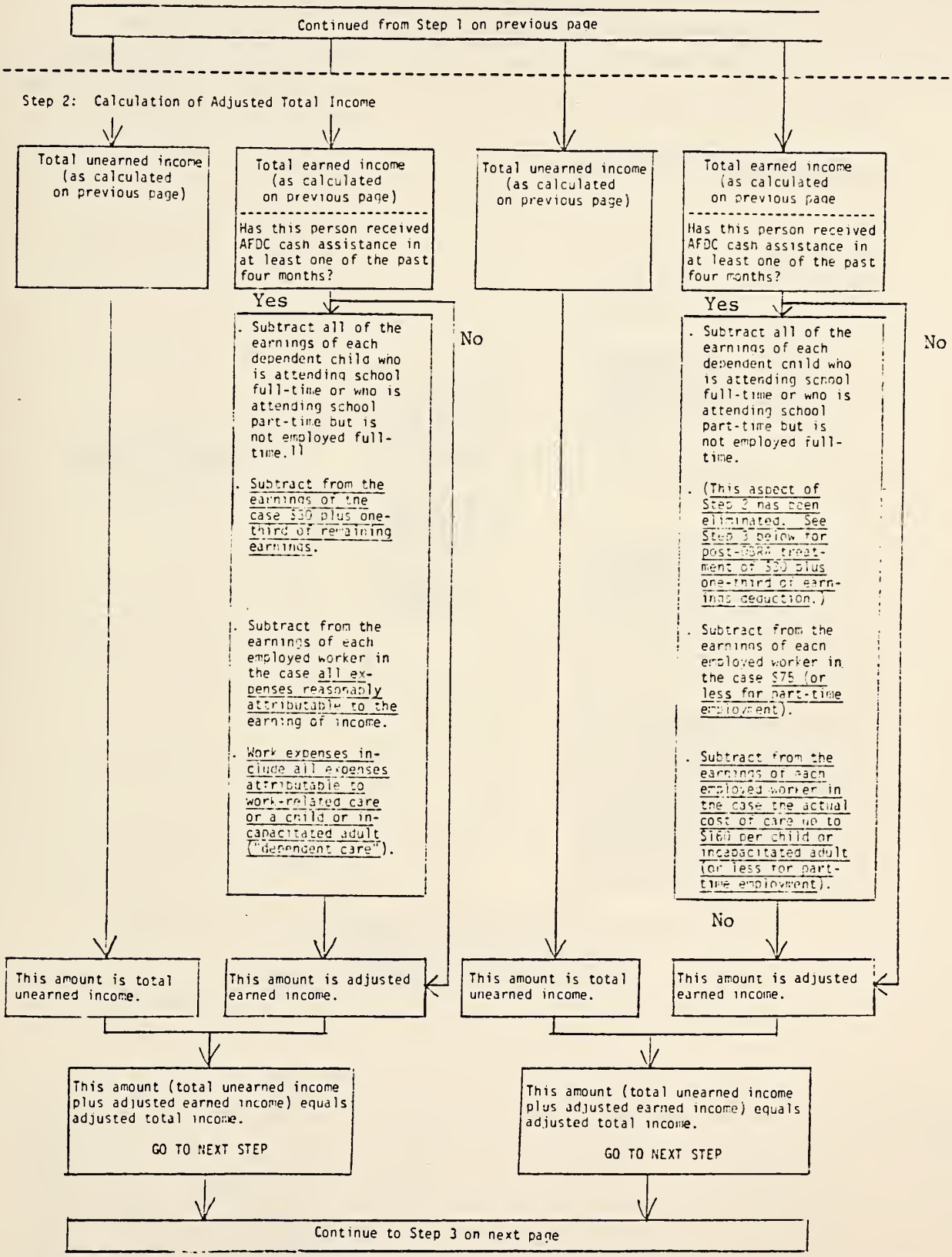
[8] State law of general applicability requires stepparents to support stepchildren to the same extent that natural or adoptive parents are required to support their children.

[9] Pre-OBRA, states were permitted discretion in the treatment of windfall amounts. For example, they could choose to treat these amounts as either earned or as unearned income, they could count less than the full amount as income, or they could permit a grace period before counting the windfall as income in order to give families the opportunity to spend it.

[10] EITC is a cash income supplement provided to earners whose incomes are below $10,000 per year. A person can receive the credit in a single payment at the end of the year, or the person may file an eligibility certificate with his or her employer in order to receive advance payment of the credit with his or her paycheck.

[11] If an individual applies for monthly payments, but his or her employer refuses to issue them, EITC is not counted until it is received.

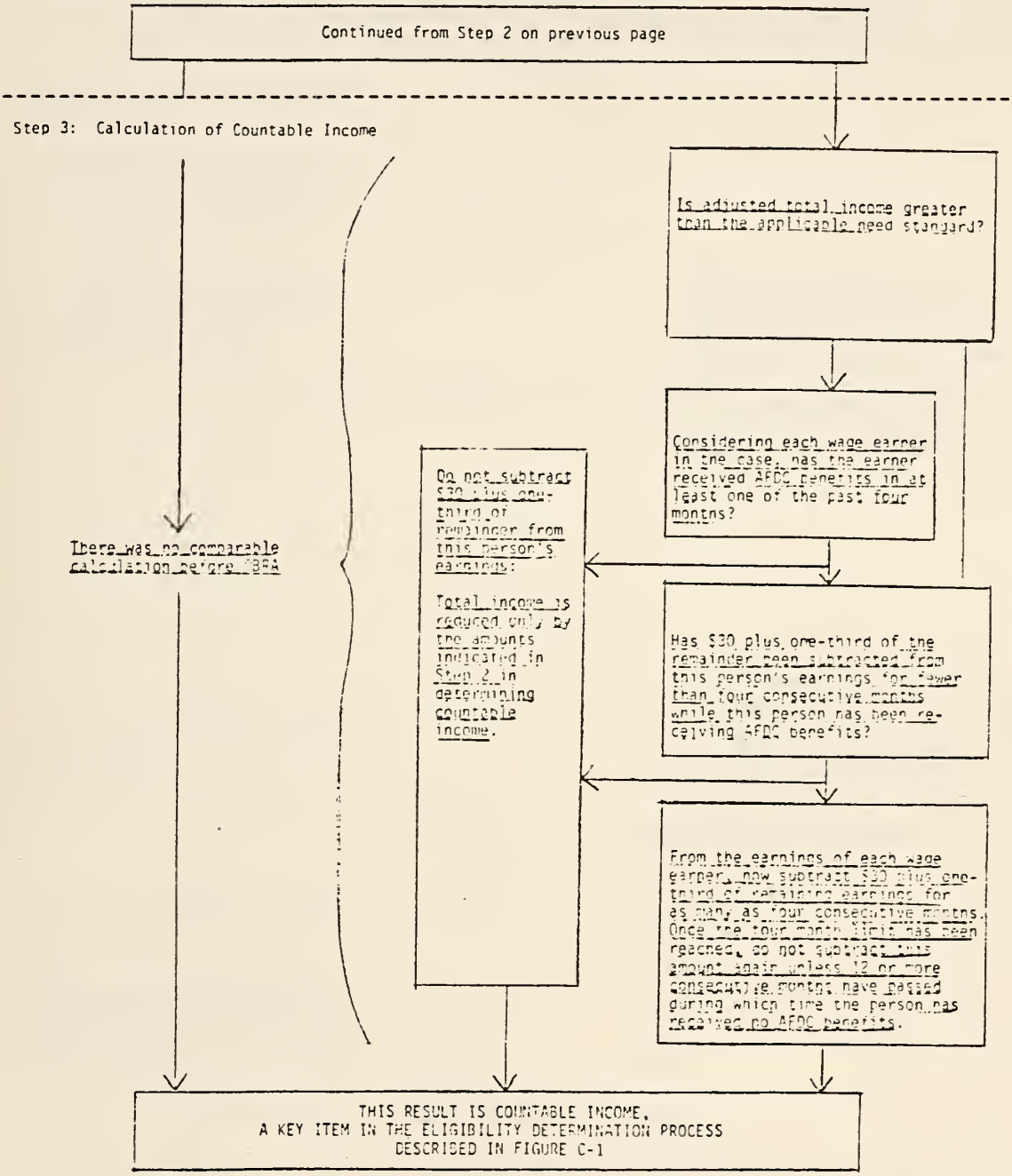
Pre-OBRA | Post-OBRA



NOTES:

12 If a child saves his or her earnings, they must be considered to be a resource available to the case unless a state's AFDC plan specifically permits some of the case's income to be set aside for the future needs of the child.

Pre-OBRA Post-OBRA



SOURCES:

42 C.F.R. §§ 435.1-435.1011 (1983)

42 C.F.R. §§ 233.10-233.217 (1983)

42 U.S.C.S. §§ 601-607 (Law. Coop 1973)

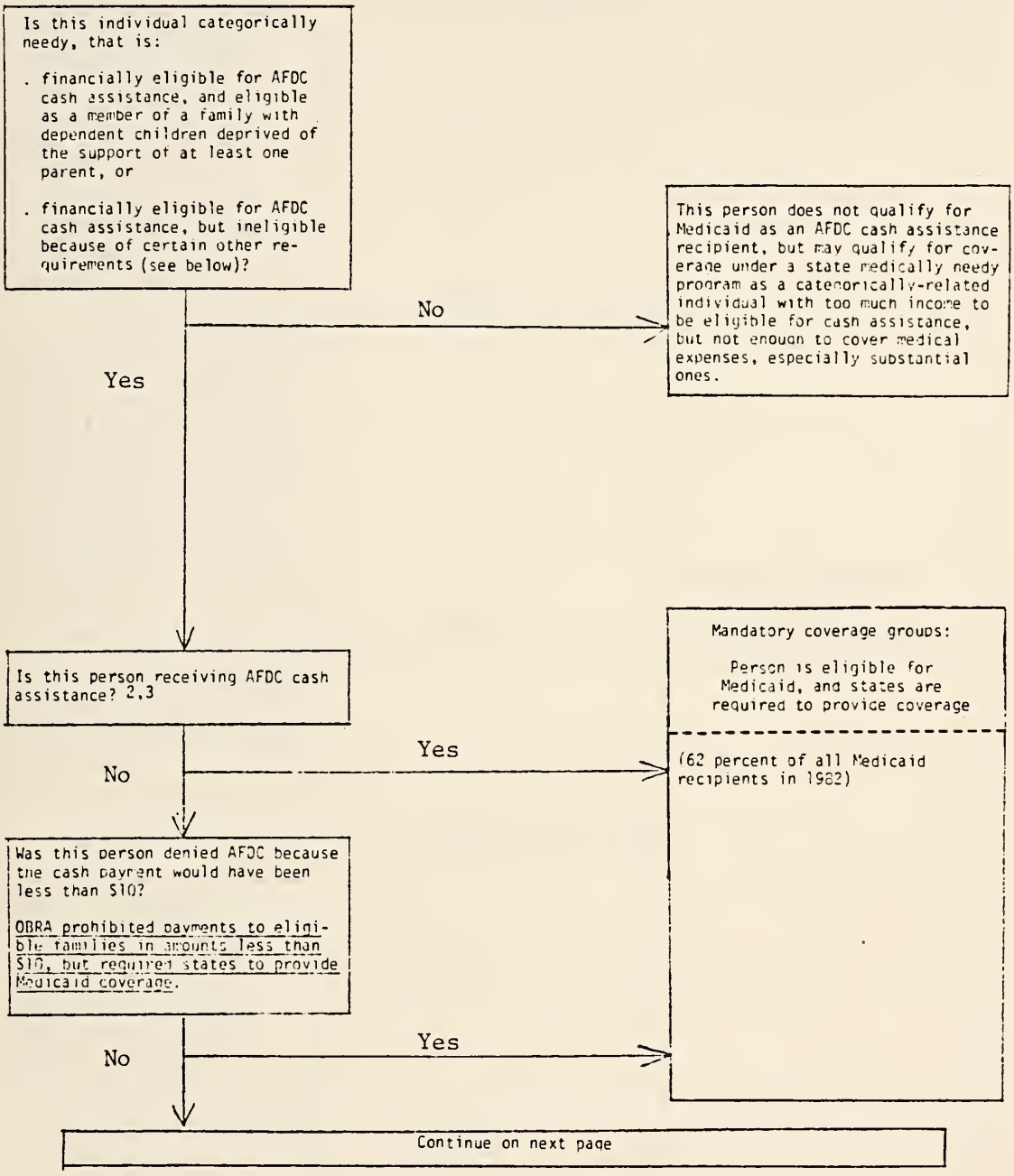
42 U.S.C.S. §§ 601-607 (Law. Coop 1984)

Personal communication with Wilbur A Weder, Division of Research, Evaluation, and Statistics, Office of Policy and Evaluation, Office of Family Assistance, Social Security Administration.

U.S., Department of Health and Human Services, Social Security Administration, Office of Family Assistance, Research Tables Based on Characteristics of State Plans for Aid to Families with Dependent Children: Eligibility, Assistance, Administration, 1981, 1982 and 1983 editions, SSA Pub. No. 80-08005.

Figure C-3

Medicaid Eligibility Determination Process for AFDC-related Families and Children[1]



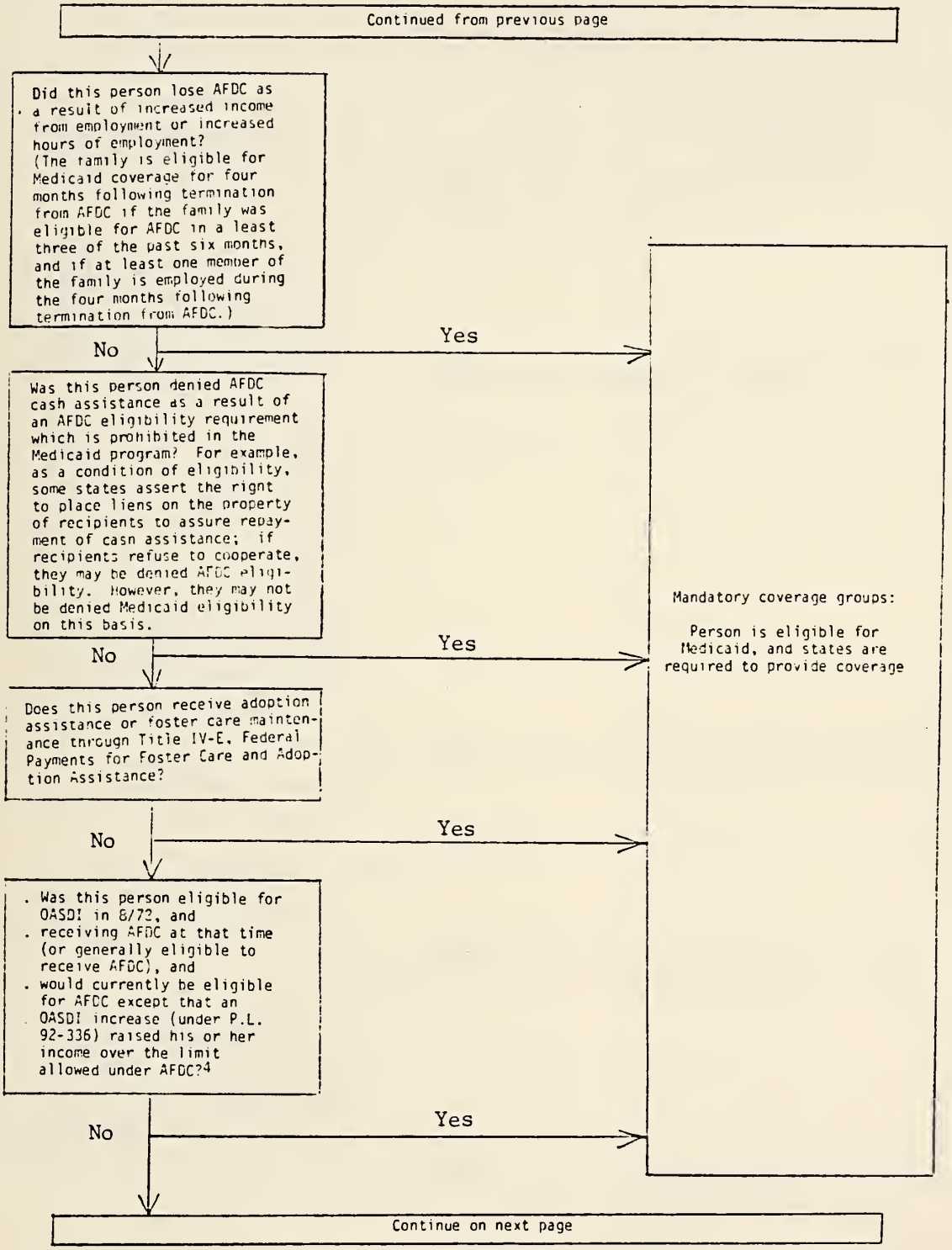
NOTES:

[1] This figure depicts Medicaid (Title XIX of the Social Security Act) eligibility determination for AFDC-related families and children effective October 1981. Underlining denotes revisions in Medicaid eligibility determination made by the Omnibus Reconciliation Act of 1981. Changes in eligibility determination which occurred after this date are not included here. When references are made in this figure to numbers of states which provide Medicaid coverage to various groups of individuals, "states" refers to 49 states (excluding Arizona) and the District of Columbia.

[2] An individual is considered to be a recipient of AFDC if his or her needs are included in determining the amount of the AFDC payment.

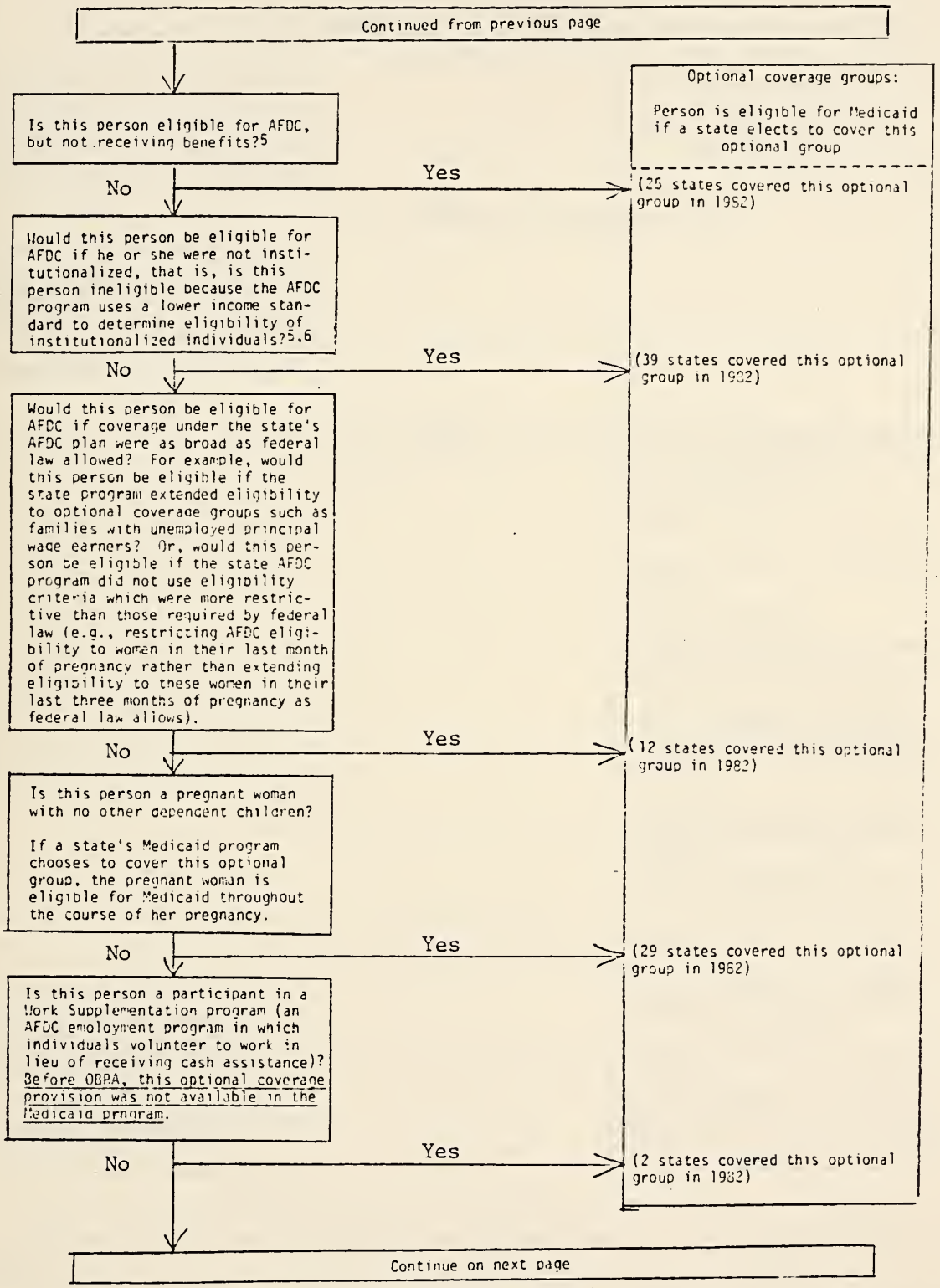
[3] People receiving cash assistance include 1) families with dependent children under the age of 18 (or, at state option, under the age of 19), 2) at state option, pregnant women with no other dependent children during the last three months of their pregnancy, and 3) at state option, families with unemployed principal wage earners. Pre-OBRA, people receiving casn assistance included 1) families with dependent children under the age of 18 (or, at state option, under the age of 21) and attending school, 2) at state option, pregnant women with no other dependent children throughout the course of their pregnancy, and 3) at state option, families with an unemployed parent.

Figure C-3, page 2



NOTES:

4 During the period between the SSI enactment date (10/72) and the SSI implementation date (1/74), some individuals who were receiving cash assistance from state programs for the aged, blind, or disabled, lost their potential eligibility for SSI as a result of OASDI increases. These individuals were grandfathered into the Medicaid program. Some dual AFDC and OASDI recipients lost AFDC eligibility during the same period, as a result of the same OASDI increases: their eligibility for Medicaid was similarly protected.

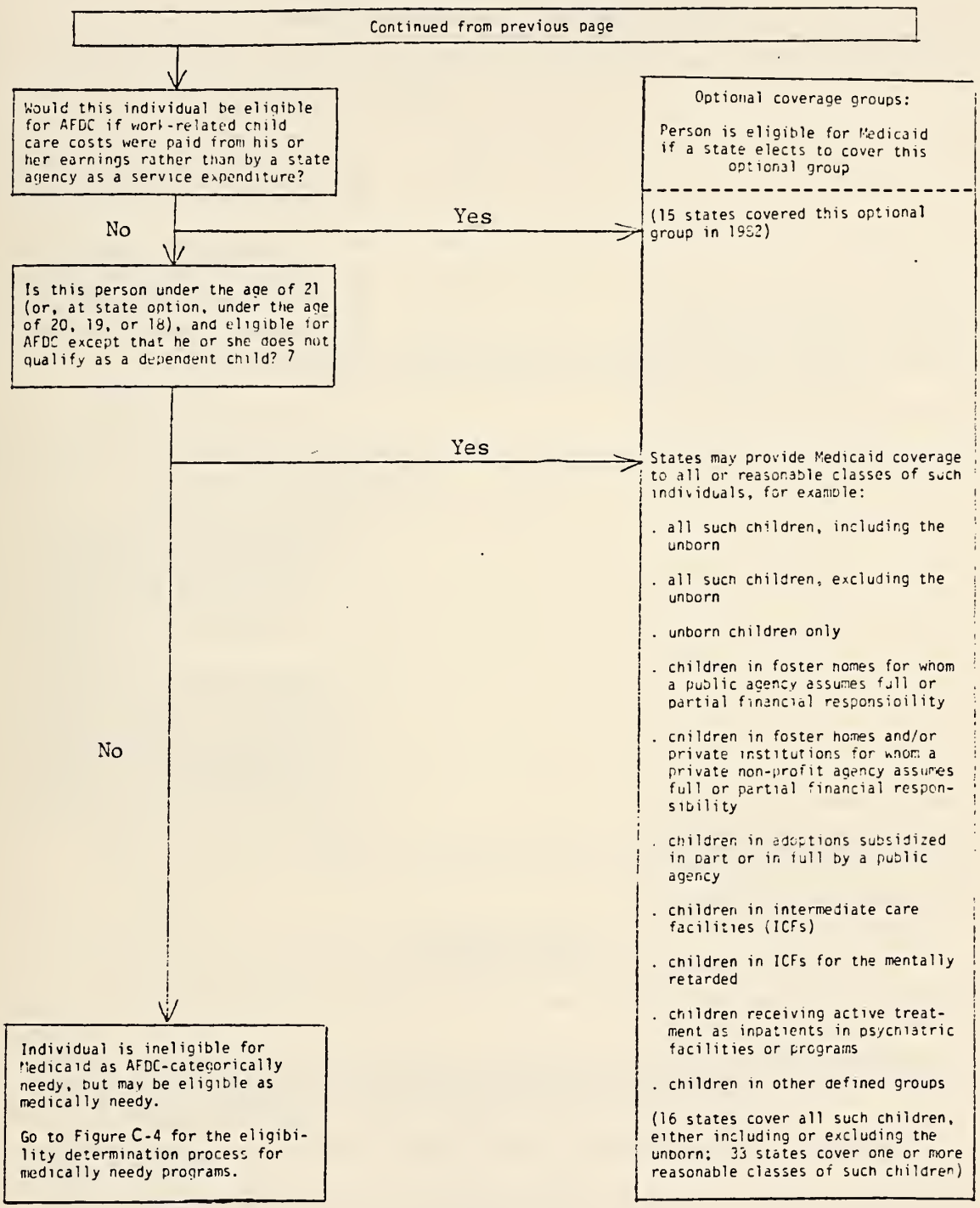


NOTES:

5 If a state provides Medicaid to people who are eligible for, but not receiving AFDC, it must also provide Medicaid to people who are eligible for, but not receiving, SSI. And if a state provides Medicaid to people who are ineligible for AFDC because they are institutionalized, it must also provide Medicaid to people who are ineligible for SSI because they are institutionalized.

6 The adjusted income of an institutionalized individual may not exceed 300 percent of the Supplemental Security Income benefit rate.

Figure C-3, page 4



NOTES:

[7] This group of individuals, sometimes referred to as "Ribicoff children," includes children in intact families.

SOURCES:

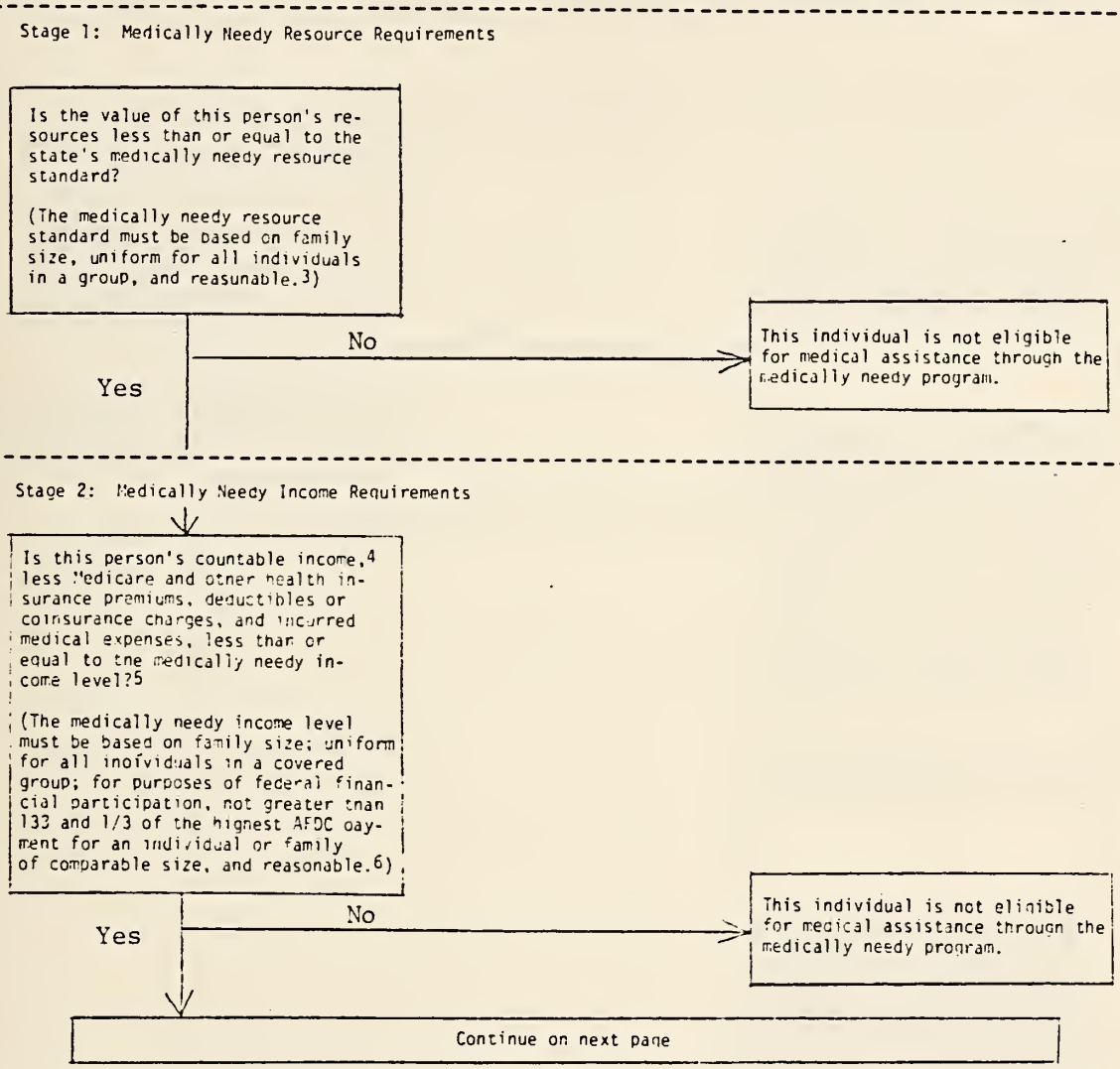
42 U.S.C.A. § 1396a (1983)

42 C.F.R. § 435.1-435.1009 (1983)

Clinkscale, R., et al.: "Analysis of State Medicaid Program Characteristics, 1982." Contract No. 500-81-0040, Office of Research and Demonstrations, Health Care Financing Administration. Rockville, Maryland, La Jolla Management Corporation, 1982.

Figure C-4

Medically Needy Eligibility Determination Process[1,2]



NOTES:

[1] Thirty states offered medically needy programs in 1982: Arkansas, California, Connecticut, District of Columbia, Hawaii, Illinois, Kansas, Kentucky, Lousiana, Maine, Marylano, Massachusetts, Michigan, Minnesota, Montana, Nebraska, New Hamoshire, New York, North Carolina, North Dakota, Oklanoma, Pennsylvania, Rnode Island, Tennessee, Utah, Vermont, virginia, Washington, West Virginia, and Wisconsin.

[2] Underlining denotes revisions in medically needy eligibility determination made by the Omnibus Reconciliation Act of 1981.

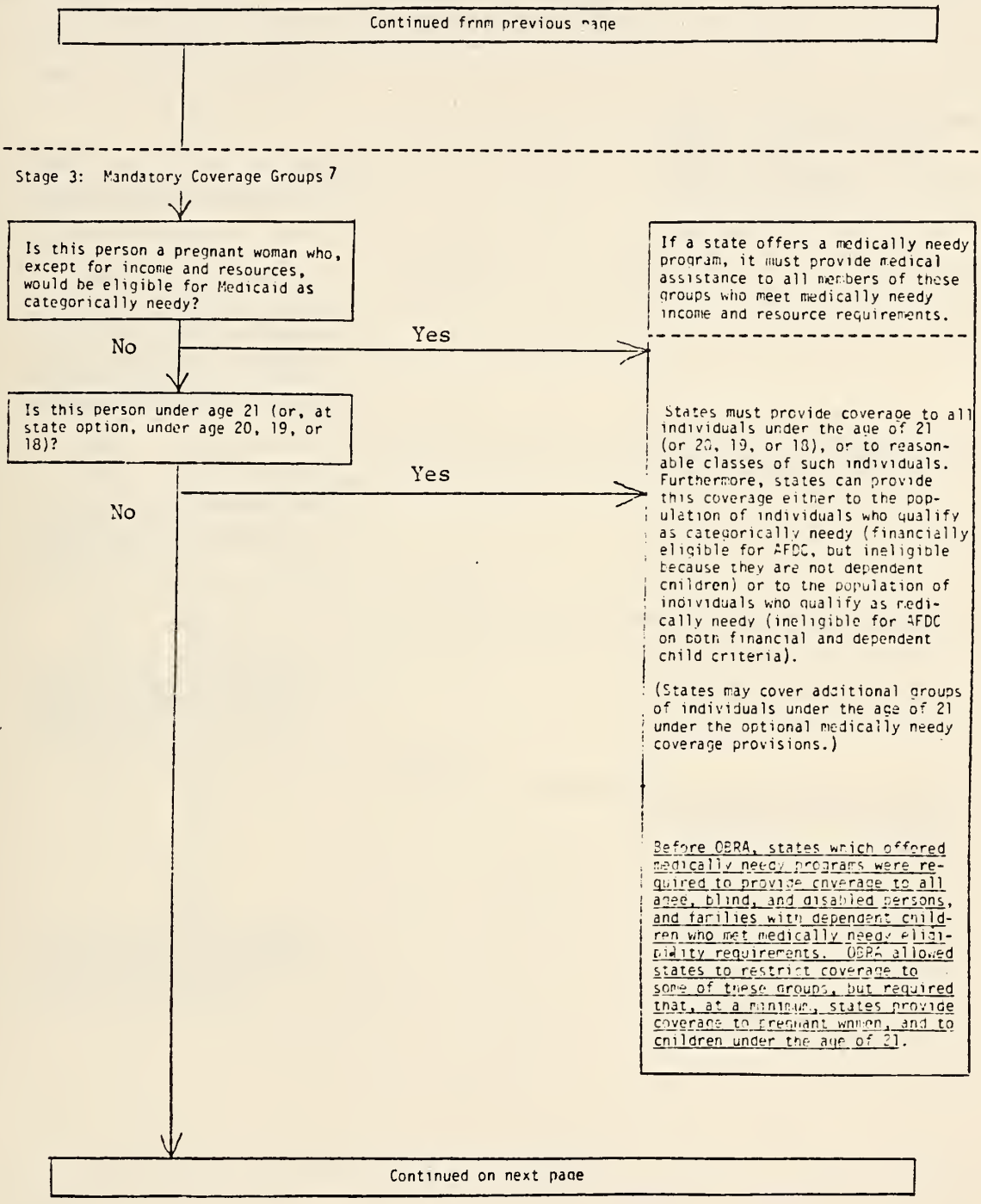
[3] It is considered reasonable either to set one resource standard for all medically needy coverage grouos, or to set a different resource standard for each coverage group. A meoically needy resource standard is considered reasonable if it is at least equal to the hignest of the casn assistance resource standards which would apply to any group covered by that medically needy resource standard. Before OBRA, the medically needy resource stanoard was based on an individual's relationship to a particular cash assistance program.

[4] In computing total income, a state must use a prospective period of not more than six months. In computing countable income, a state must deduct the same amounts from total income as would be deducted in the related cash assistance program, excepting the $30 plus one-third deduction.

[5] States may base the deduction of incurred medical expenses on accounting periods ranging from one to six months of income. When the deduction of incurred medical expenses reduces income to the medically needy income standard, the individual becomes eligible for medical assistance through tne medically needy program. In 1982, twenty states had a speno-down period of six months, one state had a spend-down period of four months, seven states had a spend-down period of three months, and two states had a spend-down period of one month.

[6] It is considered reasonable either to set one income level for all medically needy coverage groups, or to set a different income level for each coverage group. A medically needy income level is considered reasonable if it is at least equal to the highest of the cash assistance income levels which would apply to any group covered by that medically needy income level (or 133 and 1/3 of the maximum AFDC payment, whichever is lower). Before OBRA, a single income level, equal to 133 and 1/3 of the maximum AFDC payment for a family of comparable size, determined the income eligibility of all medically needy applicants.

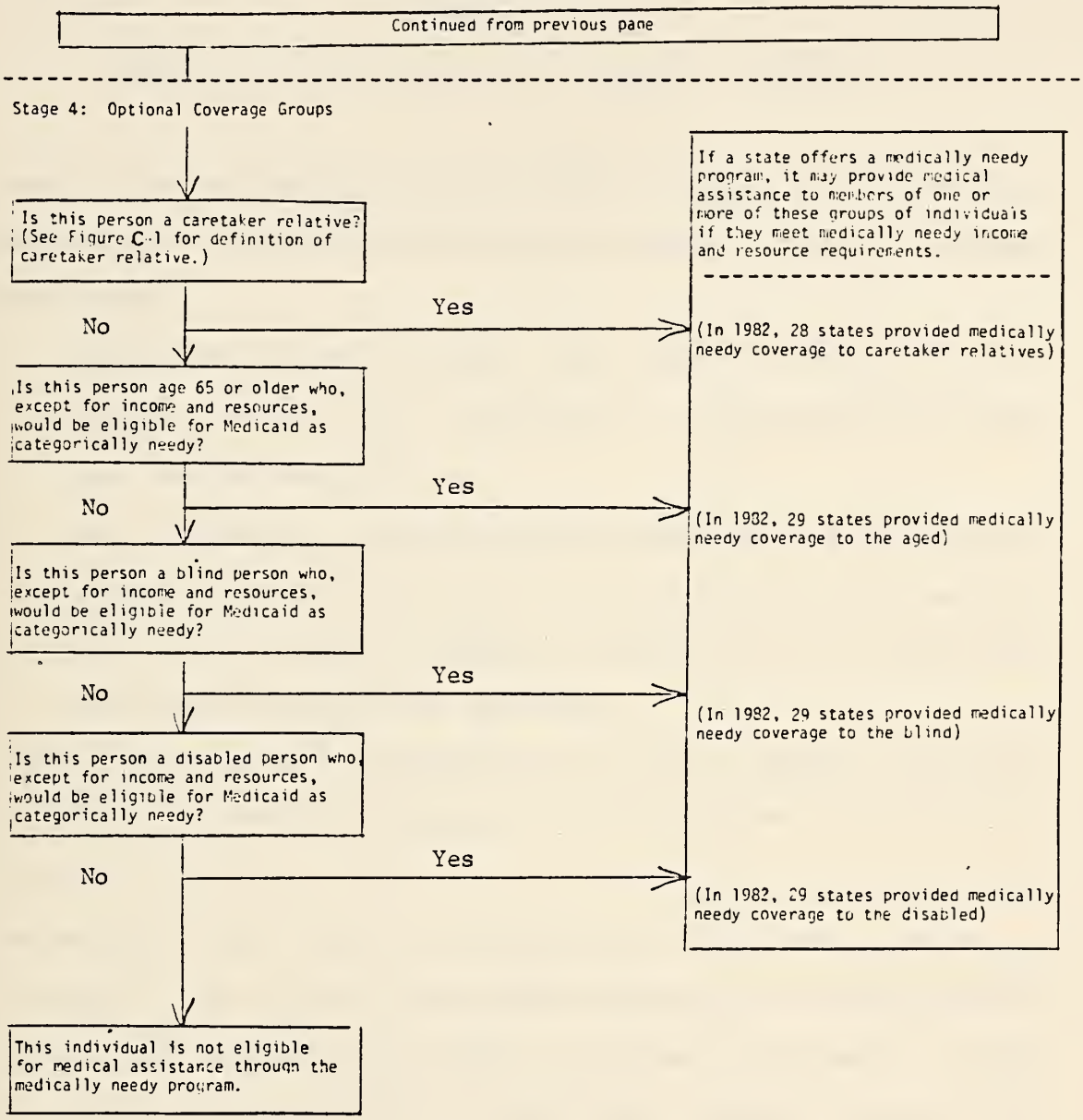
Figure C-4, page 2



NOTES:

[7] A minor mandatory coverage group includes blind or disabled individuals who were eligible for Medicaid in 12/73 on the basis of blindness or disability criteria defined in pre-SSI programs for the blind or disabled, who continue to meet the 12/73 criteria for blindness or disability, and who meet current medically needy requirements (except those defining blindness or disability).

Figure C-4, page 3



NOTES:

[6] "States" refers to 49 states (Arizona is excluded because it does not have a Medicaid program) and the District of Columbia.

SOURCES:

42 U.S.C.A. § 1396a (1983)

42 C.F.R. §§ 435.1-435.1009 (1983)

46 FR 47988, Sept. 30, 1981

Clinkscale, R., et al.: "Analysis of State Medicaid Program Characteristics, 1982. Contract No. 500-81-0040, Office of Research and Demonstrations, Health Care Financing Administration. Rockville, Maryland, La Jolla Management Corporation, 1982.

Appendix D

Inflation and AFDC Eligibility Standards, 1979-1982

Among those knowledgeable about welfare programs, the following two propositions are generally assumed to be true (see, for instance, Rowland and Gaus, 1982):

- During inflationary periods, AFDC payment standards are, on average, increased by the states at a rate which fails to keep pace with inflation; and
- As a consequence, AFDC eligibility standards are implicitly and automatically made more restrictive during inflationary periods; that is, as payment standards decline in real terms, fewer and fewer families qualify for assistance.

The first proposition is well-supported by the facts. However, the second is fallacious, at least when applied to the 1979-1982 period considered in this study.

Between 1979 and 1982, the Consumer Price Index (CPI) increased by 33.0 percent. In contrast, AFDC payment standards for a 4-person family (see Table D-1) increased, on average, by only about 18.0 percent. (This growth rate in payment standards is based upon a weighted average, where the weight for a particular state is the fraction of the national AFDC population found in that state.) When this growth in the nominal value of payment standards is adjusted for inflation in the CPI, the real value of state payment standards falls by about 11.0 percent during the 1979-1982 period. Rowland and Gaus report a qualitatively similar finding for the 1970-1979 period. Thus, the validity of the first proposition--payment

Table D-1

AFDC Payment Standards for 4-Person Families, 1979 and 1982

Jurisdiction[a]	4-Person Payment Standard 1979	4-Person Payment Standard 1982	Percentage Change: 1979 to 1982
Alabama	$148	$148	0.0
Alaska	450	682	51.6
Arkansas	188	164	-12.8
California	423	601	42.1
Colorado	307	387	26.1
Connecticut	384	517	34.6
Delaware	287	312	8.7
District of Columbia	314	366	16.6
Florida	196	246	25.5
Georgia	148	229	54.7
Hawaii	546	546	0.0
Idaho	367	345	-6.0
Illinois	333	368	10.5
Indiana	327	327	0.0
Iowa	395	419	6.1
Kansas	306	385	25.8
Kentucky	235	235	0.0
Louisiana	172	234	36.0
Maine	314	408	29.9
Maryland	267	355	33.0
Massachusetts	396	445	12.4
Michigan	459	492	7.2
Minnesota	404	520	28.7
Mississippi	189	245	29.6
Missouri	256	305	19.1
Montana	331	425	28.4
Nebraska	370	420	13.5
Nevada	276	324	17.4
New Hampshire	346	392	13.3
New Jersey	374	414	10.7
New Mexico	220	281	27.7
New York	476	515	8.2
North Carolina	200	221	10.5
North Dakota	370	437	18.1
Ohio	291	321	10.3
Oklahoma	309	349	12.9
Oregon	428	409	-4.4
Pennsylvania	360	401	11.4
Rhode Island	359	420	17.0
South Carolina	124	171	37.9
South Dakota	340	361	6.2
Tennessee	148	154	4.1
Texas	140	141	0.7
Utah	374	455	21.7
Vermont	477	581	21.8
Virginia	284	305	7.4
Washington	439	531	21.0
West Virginia	249	249	0.0
Wisconsin	458	600	31.0
Wyoming	305	390	27.9

[a] Arizona is omitted from this table since its program did not begin until October 1982.

SOURCE: Hill (1984).

standards increase more slowly than prices during inflationary periods--is not in dispute.

If payment standards increase more slowly than consumer prices, it is safe to infer only that AFDC recipients are experiencing, on average, a declining standard of living. (Even this inference hinges on a potentially incorrect assumption, namely, that changes in the CPI reflect reasonably well changes in the prices of those things typically found in the budgets of AFDC families.) However, it does not follow that low-income families are also experiencing increasing difficulty in qualifying for AFDC cash assistance. For this outcome to occur--that is, for the second proposition to be correct--changes in the CPI would also have to reflect reasonably well changes in income (excluding assistance income) and earnings among families either eligible or potentially eligible for AFDC. As a general rule, one cannot assume that the CPI will perform this function.

As noted above, between 1979 and 1982 the CPI increased by 33.0 percent. In contrast, the growth in income among low-income families was only 14.3 percent for the same period. (This rate is based upon the growth in income at the 20th percentile of the U.S. income distribution; see Welniak and Henson, 1984.)

When comparing the growth in AFDC payment standards with growth in the CPI, the picture that emerges is one of increasingly restrictive eligibility standards. However, when the comparison is based upon the income-growth factor, the picture that emerges is a strikingly different one:

- Between 1979 and 1982, AFDC eligibility standards were largely

unaffected by inflation, since state payment standards and the incomes of poor/near-poor families were increasing at approximately the same pace. In fact, after adjusting for income inflation (rather than inflation in consumer prices), state payment standards actually rose, in real terms, by about 3.5 percent over the 1979-1982 period.